



REPUBLIC OF POLAND



KRAJOWY  
PROGRAM  
**REFORM**

EUROPA 2020

**UPDATE OF 2019/2020**

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## List of abbreviations:

- AGS** – Annual Growth Survey
- B2B** - business-to-business - transactions between two or more business entities
- BGK** – Bank Gospodarstwa Krajowego (*state-owned development bank*)
- c.o.** – central heating (*centralne ogrzewanie*)
- c.w.u.** – domestic hot water (*ciepła woda użytkowa*)
- CAM** - Arbitration and Mediation Centre (*Centrum Arbitrażu i Mediacji*)
- CAS** – Strategic Analysis Centre (*Centrum Analiz Strategicznych*)
- CEIDG** – Central Registration and Information on Business (*Centralna Ewidencja i Informacja o Działalności Gospodarczej*)
- CIEM** - Centre for Innovative Medical Education (*Centrum Innowacyjnej Edukacji Medycznej*)
- CIT** – Corporate Income Tax
- CLOR** - Central Laboratory of Radiation Protection (*Centralne Laboratorium Ochrony Radiologicznej*)
- CNP** – Centre for Science and Industry (*Centrum Naukowo-Przemysłowe*)
- CO<sub>2</sub>** – carbon dioxide
- COP 24** – the United Nations Conference on Climate Change, Katowice 2018
- CPK** – Central Communication Port (*Centralny Punkt Komunikacyjny*)
- CSM** - Medical Simulation Centres (*Centra Symulacji Medycznej*)
- CSR** – Country Specific Recommendation
- DILO** - Oncological Diagnostics and Treatment System (*System Diagnostyki i Leczenia Onkologicznego*)
- EC** – European Commission
- EDM** – Electronic Medical Documentation (*Elektroniczna Dokumentacja Medyczna*)
- eIDAS** - Regulation of the European Parliament and of the Council no 910/2014 of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market
- ESA 2010** – European System of National and Regional Accounts
- ESD** – Effort Sharing Decision
- ESIF** – European Structural and Investment Funds
- ETS** – Emission Trading Scheme
- EU** – European Union
- EU-SILC** – The European Union Statistics on Income and Living Conditions
- FAQ** - Frequently Asked Questions
- FDI** – foreign direct investments
- FIRR** – Foundation Institute For Regional Development (*Fundacja Instytut Rozwoju Regionalnego*)
- FNT** - Low-Emission Transport Fund (*Fundusz Niskoemisyjnego Transportu*)
- GDP** - Gross domestic product
- GERD** – Gross Domestic Expenditures on Research and Development
- GIS** – Green Investment Scheme
- GUS** – Statistics Poland (*Główny Urząd Statystyczny*)
- GW** – Gigawatt
- GWe** – Gigawatt of electric power
- HTGR** – High-temperature gas-cooled reactor
- ICH TJ** - Institute of Nuclear Chemistry and Technology (*Instytut Chemii i Techniki Jądrowej*)
- IFPiLM** - Institute of Plasma Physics and Laser Microfusion (*Instytut Fizyki Plazmy i Laserowej Mikrosyntezy*)
- IP** – Intellectual property
- IT** – Information technology
- KKK** – Key Domestic Clusters (*Krajowe Klastry Kluczowe*)
- KOBIZE** - National Centre for Emissions Management (*Krajowy Ośrodek Bilansowania i Zarządzania Emisjami*)
- KPRES** - National Programme for Development of Social Economy (*Krajowy Program Rozwoju Ekonomii Społecznej*)
- LFS** – Labour Force Survey
- LGU** – Local Government Units
- LNG** – liquefied natural gas
- LOWE** – Local Centre for Knowledge and Education (*Lokalny Ośrodek Wiedzy i Edukacji*)
- Mtoe** – million tonnes of oil equivalent
- MW** – Megawatt of electric power
- MW<sub>th</sub>** – Megawatt of thermal power
- NBP** – National Bank of Poland
- NCBJ** - National Centre for Nuclear Research (*Narodowe Centrum Badań Jądrowych*)
- NFZ** – National Health Fund (*Narodowy Fundusz Zdrowia*)

**NLEJ** - National Laboratory for Nuclear Energy (*Narodowe Laboratorium Energii Jądrowej*)

**non-ETS** - the part of domestic emission of greenhouse gases not included in ETS system

**NRP** – National Reform Programme

**NRP 2018/2019** – National Reform Programme for implementation of strategy Europe 2020 Update for 2018/2019

**OECD** - Organisation for Economic Co-operation and Development

**OOK** – Coordinated care organisation (*Organizacja Opieki Koordynowanej*)

**OP KED** – Operational Programme Knowledge Education Development

**OW NFZ** - Regional Branches of the National Health Fund (*Oddziały Wojewódzkie Narodowego Funduszu Zdrowia*)

**OWES** – Centres for Support of Social Economy (*Ośrodki Wsparcia Ekonomii Społecznej*)

**PAA** – National Atomic Energy Agency (*Państwowa Agencja Atomistyki*)

**PES** - Social economy entities (*Podmioty ekonomii społecznej*)

**PGE EJ 1** - Special purpose vehicle established for the purpose of construction of the first Polish nuclear energy plant

**PIRP** – Polish Chamber of Patent Attorneys (*Polska Izba Rzeczników Patentowych*)

**PIT** – Personal Income Tax

**PK EAPN** – Polish Committee of the European Anti-Poverty Network (*Polski Komitet Europejskiej Sieci Przeciwdziałania Ubóstwu*)

**POZ** – primary health care (*podstawowa opieka zdrowotna*)

**PPEJ** - Nuclear Power Program for Poland (*Program polskiej energetyki jądrowej*)

**PPK** – Employee Capital Plans (*Pracownicze Plany Kapitałowe*)

**PPS** – Purchasing Power Standard

**PR ds. SIE** - Government Plenipotentiary for Strategic Energy Infrastructure (*Pełnomocnik Rządu do spraw Strategicznej Infrastruktury Energetycznej*)

**PRU** – University Development Programmes (*Programy Rozwojowe Uczelni*)

**PSA** – Simple stock company (*Prosta spółka akcyjna*)

**R&D** – Research and Development

**R&D&I**– Research and Development and Innovation

**RES** – Renewable Energy Sources

**RIA** – Regulatory Impact Assessment

**RM** – Council of Ministers (*Rada Ministrów*)

**RP** – Republic of Poland

**SEZ** – Special Economic Zones

**SKRM** – Permanent Committee of the Council of Ministers (*Stały Komitet Rady Ministrów*)

**SME** – small and medium sized enterprises

**SPE** - Special educational needs

**SRD** – Strategy for Responsible Development

**SRSP** – Structural Reform Support Programme

**TEN-T** – Trans - European Transport Networks

**TSUE** – Court of Justice of the European Union (*Trybunał Sprawiedliwości Unii Europejskiej*)

**TWh** - Terawatt-hour

**UOKiK** – Office of Competition and Consumer Protection (*Urząd Ochrony Konkurencji i Konsumentów*)

**URE** – Energy Regulatory Office (*Urząd Regulacji Energii*)

**UZP** – Public Procurement Office (*Urząd Zamówień Publicznych*)

**V4** – Visegrad Group

**WHO** – World Health Organization

**WRF** – Multiannual Financial Framework (*Wieloletnie Ramy Finansowe*)

**WTZ** - Activity-Based Therapy Workshops (*Warsztaty Terapii Zajęciowej*)

**ZPU** – Integrated University Programme (*Zintegrowane Programy Uczelni*)

**ZSU** – Integrated Skills Strategy (*Zintegrowana Strategia Umiejętności*)

**ZUS** – Social Insurance Office (*Zakład Ubezpieczeń Społecznych*)

## 1. Introduction

The National Reform Programmes (NRP) are the principal documents for implementation of the Europe 2020 strategy by member states, updated each year in accordance with the European Semester cycle. The European Semester is a cycle of coordination of economic and social policies of the European Union. Along with updating of the NRP, the member states submit to the European Commission updates of their Stability or Convergence Programmes, which confirms coherence of processes of structural reform programming and budget planning.

*National Reform Programme for implementation of strategy Europe 2020 Update for years 2019/2020* (hereinafter NRP 2019/2020) is the ninth edition of NRP in this process. The first output document was the *National Reform Programme for implementation of strategy Europe 2020*, approved by the Council of Ministers on 26 April 2011. It specified how Poland would fulfil its commitments made with regard to the five leading targets of the strategy Europe 2020 by 2020.

At the same time, the Polish government declared achieving the following national targets with regard to the five leading targets of the strategy until year 2020:

- 71% employment rate for the population aged 20-64;
- 1.7% of GDP invested in research and development (R&D);
- reduction of primary energy consumption to a level of about 96 Mtoe;
- reduction of the proportion of early school leavers to 4.5% and raising the proportion of 30–34 year aged university graduates up to 45%;
- reduction of the number of people at risk of poverty or social exclusion by 1.5 million.

The assumption of NRP of 2011 was that the document, as well as its subsequent updates, would take into account the specific domestic conditions and directions of action specified in the Polish strategic documents. At present, such document is the *Strategy for Responsible Development until year 2020 (with a perspective until year 2030)* (SRD), approved by the Council of Ministers on 14 February 2017. The development vision contained in the Strategy consists of an economic model based on sustainable and inclusive development, which is consistent with priorities of the Europe 2020 strategy.

The Strategy for Responsible Development included all targets of the Europe 2020 strategy into the scope of its interventions and monitoring, and the objective of counteracting poverty and social exclusion is one of the five basic targets of the SRD. Determination of intermediate targets (by 2020) for targets with regard to employment, R&D, education and energy was based on the national targets, set in the 2011 National Reform Programme. The current values of indicators show that the stage of their implementation varies (more on the subject can be found in chapter [5.1. Degree of attainment of objectives](#)).

NRP 2019/2020 contains a part of the key activities indicated in the Strategy for Responsible Development, for which the perspective of development, adoption or implementation fits into the time horizon and thematic framework of this document.

However, NRP 2019/2020 is most of all a document that presents the policies and actions of the government aimed at attainment of targets of the Europe 2020 strategy and those, which respond to the key challenges of the 2019 European Semester, starting from the Annual Growth Survey 2019, through the *Country Report. Poland 2019*, ending with recommendations of the EU Council for Poland of 2018 (the so-called Country-specific recommendations).

The Annual Growth Survey 2019 (AGS 2019) established the economic priorities for the EU for the current year, based on three pillars: (I) increase in investment, (II) implementation of structural reforms and (III) ensuring of macroeconomic stability and healthy public finances. Moreover, the EC indicated a need for greater coherence between the investment activities and reforms. Therefore, documents of the present cycle of the European Semester will focus more on identification and prioritisation of investment needs of the member states, which have to be taken into account in

programming within the framework of the Multiannual Financial Framework (MFF) for years 2021-2027. A detailed analysis of Poland's investment needs was presented by the EC in an annex to the Country report. As for the priorities of AGS 2019, NRP 2019/2020 presents mainly the basic investment priorities of Poland, which could be co-financed by the cohesion policy funds, as well as main activities to support investments (see chapter 4.1). Moreover, NRP presents a number of structural reforms aimed at improvement of the competitive position of Poland and of social cohesion (see chapters 4-6). The mode of implementation of the third priority, focused on the responsible budgetary policy, has been presented in a separate document entitled: *Multiannual Financial Plan of the State for years 2019-2022*. Coherence of this document with the NRP is ensured by the [Macroeconomic scenario](#), constituting chapter 2. Chapter 3 presents a general [political response to the main challenges specified by the EC in the Country Report. Poland 2019](#).

The following three chapters describe the governmental activities in response to the: [key challenges specified in the Country Report. Poland 2018](#) (see chapter 4), [targets of the Europe 2020 strategy](#) (see chapter 5) and [recommendations of the EU Council for Poland 2018 \(CSR\)](#)<sup>1</sup> (see chapter 6). Emphasis was put on presentation of reforms that would be initiated in the period of validity of NRP 2019/2020, that is, starting from the second quarter of year 2019 until the first quarter of year 2020, or that were initiated earlier, but their horizon impact fits into this period, and the scale of this impact justifies taking them into account. Chapter 4 presents mainly those projects, which improve the investment climate and stabilize the conditions of functioning of entrepreneurs in Poland.

Every measure presented in the NRP has been assigned to a government body responsible for its implementation, including milestones and the estimated financial effects. Financing of the planned activities within the scope of year 2019 is based on the budget act for year 2019. The costs of measures within the scope of year 2020 constitute only estimated data, and the ultimate financing level from the state budget will be based on the budget act for year 2020. Further financing can also be based on specific provisions. At the same time, the financial effects of activities at the project stage will not constitute liabilities for the state budget until their adoption by the Council of Ministers.

NRP 2019/2020 also reflects its integrity with mechanisms of implementation of the EU cohesion policy within the framework of the financial perspective for years 2014-2020. On the one hand, funds from the cohesion policy constitute a significant source of financing of tasks included in the NRP, and on the other hand, commitments of Poland adopted in the NRP, as well as the necessity to implement the CSR, have been taken into account in the Partnership Agreement in decisions concerning the directions of action within the framework of individual thematic targets of the European Structural and Investment Funds (ESIF).

NRP 2019/2020, like the previous editions, presents involvement of socio-economic partners and the Parliament of the RP in the current cycle of the European Semester and their participation in works on the NRP. An *Interministerial Team for Europe 2020 Strategy* (hereinafter referred to as the Team) has been operating with the Minister competent for the economy as an opinion-making and advisory body to the Prime Minister. [The institutional process of updating of the NRP and involvement of stakeholders in the European Semester process](#) have been presented in chapter 7 and annex 2.

For the sake of clarity, information on the planned activities has been separated from data concerning initiatives already undertaken. [A summary of implementation of measures specified in NRP 2018/2019](#) can be found in annex 1.

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<sup>1</sup> NRP 2018/2019 does not include information on actions taken to implement recommendation 1 (CSR 1) – this information can be found in the “Convergence programme. Update 2018”.

## 2. Macroeconomic scenario

In 2018, the GDP growth rate accelerated to 5.1% and was the highest since 2007. The main factor of growth was still domestic demand, and its dynamics increased visibly in comparison with the previous year. A slightly negative contribution to GDP growth was recorded for net exports. Improved dynamics in economic activity in Poland in 2018 translated to further improvement on the labour market. The number of employed increased by 0.4%. This increase was substantially influenced by an increase in the number of people working on permanent contracts, while the number of employers and the self-employed increased only slightly, and the number of employees working on temporary contracts dropped significantly. Increase in demand for labour contributed to a further reduction of the unemployment rate, which decreased to 3.8% from 4.9% in the previous year, marking the seventh subsequent year, in which it has been lower than the EU average (by around 3 percentage points). The economic activity rate - after having increased to a record level in the previous year - decreased slightly by 0.1 of a percentage point to 56.3% (in comparison with the EU average of 58.0%). Despite good conditions on the labour market and a high growth rate in private consumption, inflation pressure in the Polish economy in 2018 remained low. On the average, throughout year 2018, consumer prices were higher by 1.6% in comparison with the previous year. For six years, inflation in Poland has been kept below the inflation target of the National Bank of Poland (NBP).

Winter forecasts of the European Commission with regard to increase in aggregated economic activity of Poland's key business partner - the European Union - indicate a slowdown in the GDP growth rate in the EU in 2018 to 1.9% y/y and in years 2019-20 to 1.5% and 1.7% y/y, respectively.

It is expected that in 2019, the number of persons employed in the Polish economy will grow slightly, and in the subsequent years, the dynamics of employment will be gradually heading towards zero. Taking into account the expected developments in the economic activity, further systematic fall in the unemployment rate is expected until 2022. In 2019, the harmonized unemployment rate will decrease to 3.6%, and in 2020 it will reach the level of 3.3%. Situation on the labour market will contribute to an increase in wage growth. It is estimated that in 2019, the nominal growth rate of the average wage in the national economy will amount to 7.6%, and for the years 2020-22 will amount to 6%, 5.8% and 5.7%, respectively. The real growth rate in wages will accelerate in 2019 to 5.7% y/y and it will start decreasing gradually over the forecast horizon.

Easiness of finding a job and the low probability of losing a job translate to unprecedentedly optimistic consumer sentiment. As a result, private consumption will remain the main driver of economic growth and it will increase in real terms by 0.4% y/y in 2019. In the subsequent years, the real pace of consumption growth will amount to 3.4% on average. Real increase in public consumption will depend on the government actions towards compliance with fiscal rules. It is estimated that the real growth in public consumption in 2019 will amount to 5.3% and it will plateau at 2.1% on average in years 2020-22.

Factors that contribute to increase in investment demand of the private sector within the forecast horizon include: the relatively low cost of equity associated with low interest rates and implementation of governmental measures aimed at higher investment rate, innovation and productivity of the economy. Therefore, the share of investments in the GDP is expected to grow in the forecast period. It is also expected that in 2019 the share of gross fixed capital formation in the private sector in the GDP will amount to 13.8% to increase by almost 2 percentage points by 2022.

Since Poland's accession to the EU, the level of openness of the Polish economy to foreign markets has been growing systematically. As a result, the share of export in GDP is growing quickly and it reached a record level of 54.9% in 2018. This result confirms high competitiveness of Polish enterprises. Despite weakening of economic conditions in the main business partners of Poland, exports is expected to increase by 5.3% y/y in 2019 and by 4.8% y/y on average throughout the forecast horizon. The imports growth in turn will depend on final demand. The estimated growth of

imports in real terms in years 2019-22 will amount to 6.0%, 5.1%, 5.1% and 5.0%, respectively. As a result, the contribution of net exports in the GDP growth will amount to - 0.1 percentage point in 2019, remaining neutral over the forecast horizon.

The development of net exports, on the other hand, is reflected by balance of trade in commodities and is an important factor that influences the current account in the balance of payments. In 2019, the current account deficit will remain negative, exceeding 1% of GDP. The main source of internal imbalance continue to be the primary income deficit, which reflects the negative net international investment position of the Polish economy. In the forecast horizon, it is expected that the contribution of net exports will be neutral.

Summing up, it is expected that the real growth in GDP in year 2019 will reach 4% y/y. In 2020, it will decrease slightly to reach 3.7% y/y. In the forecast horizon, the share of investments in GDP is expected to increase, among other things, due to use of funds from the EU 2014-2020 financial perspective. Nevertheless, private consumption, supported by optimistic expectations of Polish consumers and the good condition of the labour market will remain the key factor of the economic growth. In years 2021-22, the real GDP growth rate will reach 3.4% and 3.3% y/y, respectively.

**Table 1: The expected level of basic macroeconomic values in years 2019-22**

Category	2019	2020	2021	2022
GDP in real terms, increase in %	4.0	3.7	3.4	3.3
Exports, increase in %	5.3	4.8	4.8	4.8
Imports, increase in %	6.0	5.1	5.1	5.0
Private consumption, increase in %	4.0	3.8	3.4	3.2
Public consumption, increase in %	5.3	2.3	1.9	2.1
Gross fixed capital formation, increase in %	5.7	5.6	5.4	5.4
GDP in current prices, PLN billion	2236.5	2373.3	2514.8	2662.0
Average annual CPI, in %	1.8	2.5	2.5	2.5
The employment <sup>2</sup> , increase in %	0.2	0.0	0.0	0.0
Unemployment rate <sup>3</sup> , in %	3.6	3.3	2.8	2.3

<sup>2</sup> Average employment according to LFS (15 years and more).

<sup>3</sup> Harmonized unemployment rate as defined by Eurostat.



### 3. Response to the *Country Report. Poland 2019*.

The government shares the very positive assessment of condition of the Polish economy made by the European Commission. Poland has remained one of the growth leaders in Europe, which has been confirmed by data.. GDP growth in 2017 by 4.8% and an even better result - 5.1% in 2018 places the Polish economy among the top three member states of the EU.

Poland retains good development prospects for the coming months. Our forecasts of economic growth for the coming year are similar to these made by the Commission. In the budget act, it was assumed that the gross domestic product would increase in 2019 by 3.8%, which means that the growth rate of Poland will be higher than expected by the EC for the European Union (1.6%), remaining one of the highest in the EU.

Growth remains stable and sustainable given the improvement of all three of its components (consumption, investments and exports). The increase in consumption (by 4.5% (y/y) in 2018) is conditioned by good condition of households, supported by: increase in average wage, low unemployment rate and relatively low inflation. Investment indicators are also improving. Gross fixed capital formation increased by 7.3% (y/y) in 2018. On the other hand, investment expenditures of enterprises hiring more than 50 employees increased in real terms by more than 12%. Thanks to the favourable macroeconomic condition and actions undertaken in the business environment (described in detail in Table 1 of chapter 6), the investment climate has been improving, which is also proven by increased inflow of foreign direct investments<sup>4</sup>. Thus, positive investment data does not confirm the thesis of the EC that the recent changes in the justice system in Poland have resulted in uncertainty among entrepreneurs, which would exert negative influence on the investment climate. Therefore, it seems unclear why references to the issues of rule of law in Poland have been maintained in the report. More information on [investments can be found in chapter 4.1](#).

Taking into account the deterioration in economic outlook in the EU and among the key business partners of Poland, the government is preparing a package of actions aimed at sustain economic growth. The package includes: broadening of the scope of support for families by paying PLN 500 per month per each child, until 18 years of age, an additional one-off financial support for pensioners and disabled people in the gross amount of PLN 1100, reduction of the tax wedge, including a special relief for persons employed until 26 years of age and support for reconstruction of public transport.

These activities lead to increase in the level of private consumption, but they will contribute to enhancing of labour market participation, responding to one of Poland's mid-term challenges of reduction in the working age population. Poland is increasing the employment rate gradually; nevertheless, the level of professional activity has remained below the EU average. [Measures to support employment](#) are presented in chapter 5.2.

It is also worth noting that Poland has maintained a high pace of productivity growth. In years 2010-2017, real labour productivity per hour worked increased in Poland almost by 20%, which is almost three times higher than in the EU (7%). The increase in productivity in this period was accompanied by increase in nominal labour costs by 8.5%. The productivity growth, as a condition for improvement of competitive position of Polish economy over the long-term perspective, remains a priority for the government. It is also a response to shrinking labour resources. However, the increase in productivity requires further investments, aimed at innovation, education and skills development, as well as improvements in the infrastructure.

In the recent period, the government undertook many significant measures to [support innovative activities of enterprises, scientific and research activity](#), including support for commercialization of

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<sup>4</sup> (According to preliminary monthly data of the NBP, in 2018, foreign direct investments amounted to approximately PLN 33 billion, which was sufficient to reach the FDI value at the end of the year of around PLN 105 billion).

research results by universities and research institutes (more on the subject can be found in chapter 6 and Table 1). The first effects have been already observed. **The share of expenditures on R&D in GDP has exceeded the level of 1.03% for the first time in history.** Last year, the target level of relief was reached - up to 100% of eligible costs, and thus the results will get even better. Since 1 January 2019, the IP box has also been in force, that is, low taxation - at the level of 5% - of income generated by taxpayers from intellectual property rights. Therefore, the EC opinion in the executive summary of the Country report that Poland has made limited progress towards strengthening innovativeness of economy is too critical.

In the recent years, Poland has achieved a spectacular economic and civilizational success. In the period of 2004-2017, the distance between Poland and the EU-28 measured by GDP per capita (in PPS) has decreased visibly - by 21.5 p.p. (from 49% in 2004 to 70% in 2017). Economic convergence was possible thanks to favourable macroeconomic conditions and structural reforms with the support of European funds. Since its accession, Poland has received the total of more than EUR 104 billion. The key part of these funds have been distributed among regions, accelerating their convergence in relation to the EU average. In 2004, out of the 10 poorest regions of the EU, 6 of them were Polish with GDP per capita not exceeding 40% of the EU-25 average. According to the most recent data, in 2017, GDP per capita in the poorest provinces amounted nearly to 50% of the average for the EU-28. Poland's civilizational success can be also demonstrated by the highest in the EU reduction of people being at the risk of poverty and social exclusion as well as the mitigation of poverty of children: the extreme poverty rate dropped by more than 54% and the relative poverty rate dropped by almost 30% in years 2014-2017.

Differences in development between some of the regions of Poland remain a challenge for development, which has been rightly underlined by the EC in its report. These are largely due to concentration of investments in large urban centres, more limited accessibility of public services such as education, culture and public transport in smaller cities and in rural areas.

Adopting in 2017 the Strategy for Responsible Development, the government accepted a change in the economic paradigm, based on distribution of effects of economic growth among all citizens, regardless of whether they occupy the rural areas, small towns or the largest Polish agglomerations. Unlocking the development potential of the smaller towns and peripheral areas may translate to sustainable development, slowing down the trend towards island development, which leads to decrease of competitiveness of sub-regions and their depopulation. An example of activity in this regard are provisions of the act on supporting new investments, which make it possible to take advantage of public aid regardless of the location of the investment.

In this context, we welcome emphasizing the significant role of the cohesion policy in ensuring greater coherence within and between member states in the Annual Growth Survey 2019. .

In relation to the intent to determine in this cycle of the European Semester the priority investment areas, which are to be preferred in spending from the European structural and investment funds in years 2021-2027, the government underlines the importance of proper determination of investment needs of individual countries. The list of investment priorities and investment gaps specified by the EC in Annex D is treated as the starting point for further dialogue with Poland, which are going to take place largely outside the scope of the Semester. From the government perspective, the provisions of Annex D should be supplemented to get a broader view of priority areas of investment development. In chapter 4.1, the government presented the preliminary [investment priorities of Poland](#), to be financed within the framework of the cohesion policy after year 2020. A detailed specification of these postulates will be presented in the draft of the Partnership Agreement.

We are reaching the end of the decade, which also concludes the Europe 2020 strategy. In the nearest future, we will discuss a revision of the strategic framework and review the so-called "six-pack". Our experience so far suggests that the debate on the architecture of the European Semester is needed. The government encourages the EC to prepare the grounds and declare its readiness to

participate actively in development of new solutions. These are to be aimed at making the new strategy, as well as the economic governance system in the EU effective, transparent and target-oriented to the benefit of the EU and all of its citizens.

## 4. Measures in response to challenges specified in the *Country Report. Poland 2019*.

### 4.1 Investment strategy

#### The level of investment in Poland

In the context of long-term growth, the effective allocation of production factors and processes that stimulate the pace of productivity growth is crucial. A special role is played by investments, both in fixed and in intangible assets. Investments are one of the engines of the country's economic growth, leading to mobilization of capital, which makes it possible for the national economy to produce a greater amount of goods and services. At the same time - as it has been assumed in the Strategy for Responsible Development - their role in generation of GDP should become visibly higher in the future.

Investment undertakings should be analysed much more broadly than traditional gross fixed capital formation. Pro-developmental activities and investments should be viewed from this perspective as expenditures incurred to improve the quality of human capital, research and development activity or organisational improvements.

In comparison with other EU member states, the Polish economy is still characterised by a relatively low investment rate. In years 2010-2018, the average rate of investment in Poland amounted to 19.2%, while the EU average was 19.9%. This indicator is also lower in Poland in comparison with other V4 countries - in the analysed years, it was 25.8% for the Czech Republic, 22% for Slovakia and 21.3% for Hungary<sup>5</sup>.

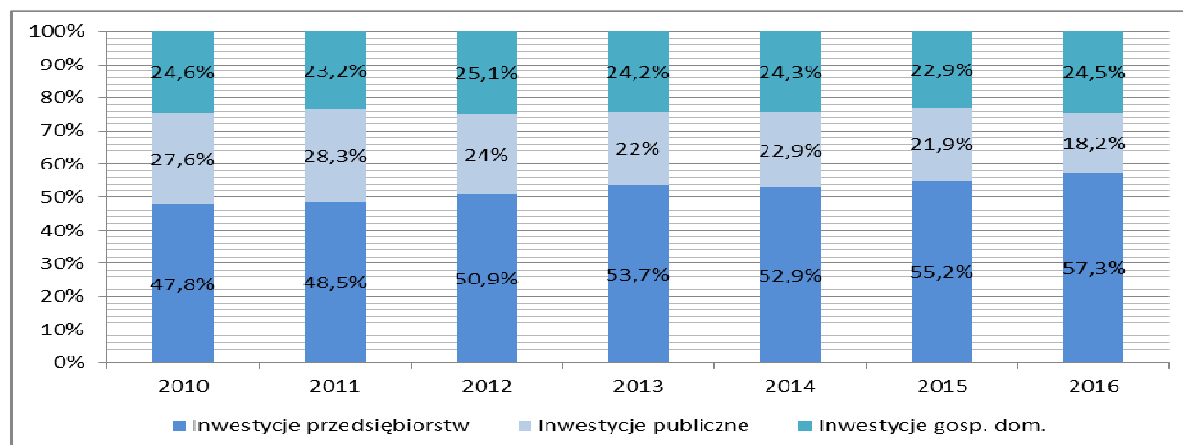
**Poland still has an insufficient share of private investment in overall investment rate.** In 2010-2016, the average rate for Poland was 76.5%, while in the EU-28, it stood at 84.9%. For the sake of comparison, among the V4 countries, only Hungary has a similar structure of investment to Poland (average indicator: 79.4% in years 2010-2017), while the Czech Republic and Slovakia are getting close to the EU average with regard to the share of private investment in their GDP (83.8% and 82.6% on the average in 2010-2017). Compared to the other member states, Poland also has recorded a lower rate of business investments - in 2010-2016, the average rate of share of business investments in the overall investment rate amounted to 45.8%, while the EU average for the same period was 60.0%<sup>6</sup>. The structure of investment in Poland divided into public investments, business and household investments is presented in the chart below:

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<sup>5</sup> Eurostat, *GDP and main components (output, expenditure and income) (nama\_10\_gdp)* [access: 19.03.2019].

<sup>6</sup> Eurostat, *Investment share of GDP by institutional sectors*, [https://ec.europa.eu/eurostat/web/products-datasets/product?code=sdg\\_08\\_11](https://ec.europa.eu/eurostat/web/products-datasets/product?code=sdg_08_11) [access: 01.02.2019].

Chart 1. Structure of investments in Poland in 2010-2016.



Source: Own calculations on the basis of Eurostat data.

There is a visible trend of growing share of business investments in overall investment rate, although its value is still below the average of the EU, as well as other V4 countries. Aiming at increase of the share of private investments in Poland is not made easier by the high share of micro- and small enterprises in the overall economic structure - these firms constitute around 98.8% of the total number of all enterprises<sup>7</sup>. As they finance their activities mainly from their own resources, enterprises of this size have a relatively low investment capacity.

When discussing the issue of investment financing, it is necessary to point out at the saving rate, which is relatively low in Poland in comparison with other European countries. In 2010-2017, the average saving rate in Poland amounted to 21.7%, being higher on the average in the remaining V4 countries (Czech Republic – 32%, Hungary – 28.4%, Slovakia – 25%)<sup>8</sup>. In the structure of the saving rate in Poland, households have quite low share. The vast majority of domestic savings in Poland belongs to the business sector. The low rate and shortage of domestic savings, on the one hand, result in low investment level in Poland; on the other hand, they lead to increase in foreign debt and worsening of the net international investment position (NIIP). Poland's NIIP remains negative, and at the end of year 2017 it amounted to - PLN 1 213 billion. In comparison with 2016, its level dropped by 5.9%<sup>9</sup>.

At the same time, **Poland keeps a strong position in terms of its ability to compete for investments.** Due to the stable macroeconomic conditions, Poland is perceived as an attractive place for foreign investments. In the *EY's Attractiveness Survey Europe. June 2018*, Poland ranked 9th in Europe and 1st among the Central and Eastern European Countries with a 3% share in the total number of foreign direct investments in Europe, generating around 24 thousand jobs. Poland also took the second place in the 2019 "CEOWORLD Magazine"<sup>10</sup> ranking, presenting 50 best countries for investments and running business. It is also the seventh among countries that are start-up friendly. The analysis covered 11 parameters, such as corruption level, development of infrastructure and work environment, free movement of people, goods and capital, economic and political stability, investor protection, the tax system and technological readiness.

<sup>7</sup> Average for years 2011-2016, source: Eurostat, <http://appsso.eurostat.ec.europa.eu/nui/show.do> [access: 08.02.2019].

<sup>8</sup> Source: World Bank, <https://databank.worldbank.org/data/reports.aspx?source=2&series=NY.GDS.TOTL.ZS&country=POL#> [access: 08.02.2019].

<sup>9</sup> National Bank of Poland, *Międzynarodowa pozycja inwestycyjna Polski w 2017 r.*, <https://www.nbp.pl/statystyka/dwn/iip2017.pdf> [access: 11.02.2019].

<sup>10</sup> <https://ceoworld.biz/worlds-best-countries-to-do-business-in-2018/>

It should also be underlined that the cyclical assessment of the investment climate in Poland, conducted by the Polish Investment and Trade Agency (PAIH) in cooperation with HSBC and Grant Thornton<sup>11</sup>, indicates that 92% investors considers Poland to be a good place for investing, and they would now also made the decision to place their investments in our country. Moreover, foreign investors assessed the investment climate in Poland at 3.7 points (on a scale of 1 to 5). The advantages of Poland, according to investors, include a large internal market, easy access to the EU market and economic stability. On the other hand, changeable law, lengthy court procedures and a complicated tax system were considered to be flaws.

Aiming at limiting the impact of the negative factors listed above, the government has taken action already indicated in the National Reform Programme 2018/2019. A prominent example is the [Constitution for Business](#) and introduction of the key principle that “whatever is not prohibited by law, is allowed”. Moreover, the Council of Ministers has adopted an amendment to the [Code of Civil Procedure](#), assuming restoration of separate proceedings in commercial cases at the same time increasing the procedural rigor and subject and subjective limitation of such proceedings.. The aim of the act is to accelerate commercial cases. Intensive works are also in progress on adaptation of the new [The Tax Ordinance Act](#), aimed at increasing protection of taxpayer’s rights in relations to tax authorities and increasing the effectiveness and efficiency of tax collection. [These activities have been described in detail in chapter 4.2 of this document](#). Works are in progress on better organisation of the VAT rates matrix and introduction of binding rate information to eliminate uncertainty of entrepreneurs with regard to application of tax rates in the course of their business activity (the draft act was submitted to the Sejm in March of 2018).

### Significance of EU funds for development of investments in Poland

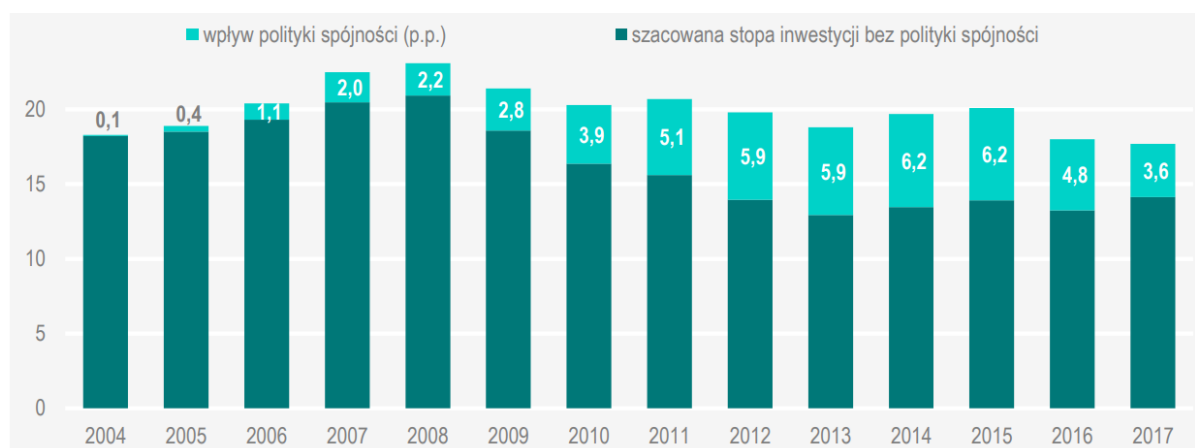
Economic growth and investment activity in Poland is also supported by cohesion policy funds. This is confirmed by studies on impact of the cohesion policy on socio-economic development of Poland and its regions. According to estimates, thanks to support of the EU in 2004-2017, gross fixed capital formation in Poland was higher by more than 30%, and the investment rate increased by at least 3.6 p.p. in comparison with the level that would have been recorded in the case of lack of funding from the EU<sup>12</sup>. The chart below presents this correlation on an annual basis:

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<sup>11</sup> 11th edition of the research project “Investment climate in Poland”, conducted by the Polish Investment and Trade Agency in cooperation with the auditing and consulting company Grant Thornton and bank HSBC, [http://www.outsourcingportal.eu/pl/userfiles/image/aktualnosci/2018/Styczen/9/HSBC\\_raport2017\\_01d\\_lite.pdf](http://www.outsourcingportal.eu/pl/userfiles/image/aktualnosci/2018/Styczen/9/HSBC_raport2017_01d_lite.pdf) [access: 11.02.2019].

<sup>12</sup> Ministry of Investment and Development, *Wpływ polityki spójności na rozwój społeczno-gospodarczy Polski i regionów w latach 2004-2017*, Warsaw 2018, p. 4.

Chart 2. Impact of the cohesion policy on the investment rate in Poland in years 2004-2017



Source: Ministry of Investment and Economic Development, *Wpływ polityki spójności na rozwój społeczno-gospodarczy Polski i regionów w latach 2004-2017*, Warsaw 2018.

The major part of funds from the cohesion policy was directed to infrastructural investments (about 2/3 of all funds were allocated to such investment projects in most voivodships), and the remaining funds were invested in human resources and in enterprises, in particular, those, which engage in R&D . The EU funds also had substantial impact on stimulating public investments. in 2017, their share in total value of public investments amounted to 30.4%, although it varied greatly among regions.

Impact of the cohesion policy on investments in Poland should be consider broadly than by analyzing the direct share of funds in the ongoing projects. A part of the additional investment expenditures was provided by entities, which were not direct beneficiaries of the cohesion policy. They engaged in investments aimed at increasing of their production capacity in the face of growing demand in national economy. Positive impact on business investment was also exerted by public investments, which are co-financed by EU funds. Summing up, it should be noted that support received by Poland from the cohesion policy in 2004-2017 had a positive impact on the level of investments in Poland. According to forecasts, the impact of the cohesion policy on the investment rate in the subsequent years will continue to be positive<sup>13</sup>.

### Key measures supporting the growth investments

A principal document, which defines and specifies the development and investment priorities of Poland, is the **Strategy for Responsible Development (SRD)** until year 2020 (with a perspective until year 2030). This document is of key importance in the area of the mid- and long-term economic policy of Poland. The strategy assumes a change in the approach to development of the country towards a sustainable model, focused on evening out of regional differences. The new development model, specified in the SRD - responsible and socially and territorially sustainable development - is based on investments, innovations, individual territorial potential, modern infrastructure and human capital. The model was established after diagnosing the key development challenges of the country, including: insufficient incentives to invest in research and development, low demand for new technologies, as well as insufficient cooperation between business, scientific and research environment and administration.

The Strategy for Responsible Development is also the basic set of development and investment challenges and priorities, defined by the Polish government. At the same time, the provisions of SDR

<sup>13</sup> Ministry of Investment and Economic Development, Forecasts of impact of the cohesion policy on Polish economy were based on research conducted by IMAPP and the Institute of Structural Research using the EUImpactMOD model.

are consistent and coherent with other guidance documents, resulting from membership of the Republic of Poland in international community groups and organisations, such as Agenda 2030 for sustainable development or Europe 2020: A strategy for smart, sustainable and inclusive growth.

Apart from focusing on improvement of regional convergence in Poland, the new model assumes supporting the selected sectors, which are of strategic importance for Polish economy and should become its driving force in the future. This support is to be integrated, engaging the central government, as well as regional and local authorities and social and economic partners. Activities indicated in the SRD, including those co-financed from the EU funds, are aimed at ensuring pro-innovative development of Poland.

In order to increase the rate of investment in Poland, SRD indicates mobilization of domestic capital as one of the key principles for implementation of the strategy. Adequate addressing of public funds (including EU funds), also in the context of the necessity to increase the investment rate, will be provided by the planned [investment monitoring system](#). This system will use the public statistical data, as well as data made available by research and financial institutions. It is to support the design of public interventions aimed at stimulation of investment activity by local authorities and the private sector, in particular to reduce differences in the economic potential at the regional level and - to a limited extent - at the local level.

The basic legal act, which implements directly the provisions of the SDR on the aim to support investments in Poland, is the [act of 10 May 2018 on supporting new investments](#), which came into force on 30 June 2018. Its introduction was earlier announced in the National Reform Programme 2018/2019. The act allows for public assistance in form of a tax relief for business investments in Poland, regardless of the investment location. Introduction of this act of law replaces the system of tax reliefs available for companies' investment projects exclusively within the area of the existing 14 special economic zones (SEZ) in Poland<sup>14</sup>. Nevertheless, the rights acquired by entrepreneurs on the basis of the act will be maintained until the end of year 2026, that is, for the time period specified for functioning of the SEZ in Poland.

The major instruments to support new investors include: income tax exemption<sup>15</sup> and information services, provided free of charge by entities managing the economic zones. Decisions to grant support are issued on behalf of investors for limited time periods of 10, 12 or 15 years.<sup>16</sup> An additional scheme to support investors ensures access to the entire scope of services based on the "one stop shop" philosophy, which assumes the full scope of services rendered on behalf of a given investor (including post-investment services).

The term "new investments" is to be understood as establishment of a new production plant and reinvestment. However, these investments must meet a number of qualitative and quantitative criteria, verifying usefulness of a given investment for socioeconomic growth of the country and the region<sup>17</sup>. The quantitative criteria specify the minimum eligible costs of the investment, which the entrepreneur must incur. These costs depend on the unemployment rate at the poviát level, in which the investment project is to be carried out. The costs are additionally reduced by 95% in the case of

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<sup>14</sup> On the basis of provisions of the act of 20 October 1994 on special economic zones (Journal of Laws of 2019 item 482), hereinafter: the act on SSE.

<sup>15</sup> According to rules specified in the act of 15 February 1992 on corporate income tax (Journal of Laws of 2018 item 1036, as amended) or in the act of 26 July 1991 on personal income tax (Journal of Laws of 2018 item 1509 as amended.), respectively.

<sup>16</sup> The time period, during which support is granted, is based on the Regulation of the Council of Ministers of 28 August 2018 concerning public aid granted to some entrepreneurs for implementation of new investment projects, Journal of Laws item 1713.

<sup>17</sup> These criteria have been specified in the Regulation of the Council of Ministers of 28 August 2018 concerning public aid granted to some entrepreneurs for implementation of new investment projects.



investments in modern business services and R&D, as well as in the case of investors representing the sector of micro, small and medium-sized enterprises - by 98%, 95% and 80%, respectively.

In turn, the qualitative criteria promote development in its structural, scientific and regional dimensions, as well as development of human resources. The structural growth will be measured by the share of staff with higher education and high-paid jobs in total employment, as well as compliance of the investment with the current national development policy. Scientific development will be measured by the scope of cooperation with academic and research centres, trade schools and R&D activity. Compliance with the regional dimension of development will be verified on the basis of location of the investment, promoting investment, in particular, in medium-sized cities, losing their socio-economic functions. The development of human resources will be measured by intensity of additional benefits and trainings offered to employees.

As it has been mentioned above, the low level of investment also results from the generally low savings rate. An activity aimed at increase in the domestic savings is the introduction of the Employee Capital Plan (PPK)<sup>18</sup>. PPK is a general and voluntary long-term savings system for employees, engaging the employer and the state. An employer hiring at least one person (subject to mandatory retirement and disability insurance) will be obliged to choose a financial institution managing the PPK, and, through it, it will open a personal PPK account for every employee to collect their savings. Due to the voluntary nature of this form, every employee will have the right to resign from PPK. The entire PPK system is not a part of the general pension system as the funds gathered will constitute an entirely private property of employees, subject to inheritance.

The employer and the employee will be obliged to transfer to the PPK (at the basic level: employers - in the amount of 1.5% of the gross salary, employees - 2% respectively). Apart from basic payments, each of them will be able to declare voluntary additional payments (up to 2.5% and 2% of the gross salary, respectively). The state will make an extra one-off welcome payment (PLN 250) to the account, as well as annual bonus (PLN 240). The employee will be able to use the funds accumulated in the PPK after reaching 60 years of age. Payment will be possible in several ways, including through monthly instalments, which will be exempt from tax on capital gains. Under exceptional circumstances, e.g. a loan for purchase of the first apartment/ a house, it will be possible to withdraw 100% of the funds from PPK account, and in the case of a serious illness of the employee or his or her family member - up to 25% of the funds.

PPK is also aimed to encourage Poles to engage in long-term investments, which are potentially most effective in accumulating capital thanks to the compound interest. According to the government estimates, the PPK programme will increase the level of domestic investment and contribute to economic growth of Poland. Savings made in the PPK should give new impetus to the economy - through the development of the capital market, reduction of foreign debt, increasing property level of Poles, in consequence leading to acceleration of investment and economic growth.

### **Frame 1: Examples of large investment projects**

#### **Apartment Plus Programme**

*Apartment Plus* is the most significant package of solutions in the National Housing Programme, aimed at increasing of the number of apartments available for citizens with low and moderate income, who have been unable to acquire their own apartments due to various reasons. The programme leads to a further reduction of the number of people at risk of poverty. Within the framework of this objective, the support is to be granted to: commercial construction of housing facilities for rent, including the use of public real estate property; construction projects for the poorest (by creating places in night shelters and hostels for the homeless, social housing, public housing and protected apartments); social housing for rent implemented by municipalities, social

<sup>18</sup> The act of 4 October 2018 on Employee Capital Plan, Journal of Laws item 2215.

housing associations and housing cooperatives.

The package also includes a subsidy scheme for rent called *Apartment for Start*. Additional financing is granted on the basis of provisions of the act of 20 July 2018 on state aid in bearing of housing expenses in the first years of flat rental (Journal of Laws, item 1540), for the period of up to 15 years to tenants of apartments (newly built or refurbished) subject to cooperation between the investor and the commune, fulfilling the statutory criteria, including profitability.

### **Central Communication Port (CPK)**

The aim of the Central Communication Port (CPK) is to develop and operate a profitable, innovative and intermodal transport hub based on integrated nodes: air and rail, effectively incorporated into the road network, which will lead to development of a national rail passenger system, constituting an attractive alternative for road transport.

The concept provides for creation of legal and infrastructural opportunities to locate a new city in the surrounding area of the CPK, which could include business parks, an exhibition, trade fair and congress centre on a global scale, rendering services on behalf of the region of Central Europe, conference centres, office and administrative facilities or a campus co-developed by a federation of Polish universities. Construction of the CPK will contribute to development of infrastructural and transport investments and creation of new jobs, resulting in enhancement of investment attractiveness of Poland. It will also improve the transport network of Poland, including low-emission transport, as a significant component of the CPK construction concept is to ensure the appropriate level of development of the railway infrastructure, aimed at providing appropriate communication between CPK with Polish agglomerations. The establishment of the CPK should also stimulate economic growth; international experience shows that large airports play an important role in generating GDP.

Adoption of the CPK multiannual programme by the Council of Ministers is planned in the 4th quarter of 2019.

Implementation of the Programme will allow for development of a universal nationwide system of interregional railway passenger transport, accessible in all regions of the country. The main node will be the CPK.

## **Investment priorities of Poland for the cohesion policy 2021-2027**

Poland's top priority is to achieve a firm increase in the investment rate in the long run through mobilisation of domestic capital, increase in private investments and improvement of the innovation capacity. SRD puts great emphasis on this growth component. The key challenge is to stimulate the domestic companies to invest their surplus, also in projects that are characterised by level of risk higher than average - in particular, in R&D. In order to increase the investment, it is also necessary to develop culture of saving among Poles. The level of domestic savings that largely determines the investment potential of economy. This will be accompanied by effective use of public funds - including the European funds, aimed at identification by the government of key areas for a long-term growth.

The investment priorities of Poland, specified in this document, have been presented in line with the policy objectives of the cohesion policy after year 2020, following the structure of Annex D to the 2019 Country Report .

In general, the list of investment priorities and gaps specified by the EC in Annex D should be supplemented to obtain a more complete picture of the priority areas for investments in Poland.

## Policy Objective 1: A smarter Europe

Annex D indicates that improvement of innovativeness of Polish economy should take place mainly through increase in expenditures on research and development activity. In order to achieve this objective, it is necessary to improve the process of creation, development and implementation of innovations in domestic economy, among other things, through support for cooperation of business and science. Innovative enterprises should work to improve their competitiveness and internationalisation. Innovations will be supported by progressing digitisation of economy, which would be beneficial for enterprises, as well as citizens and the public administration. A substantial role in development of innovativeness is also played by investments in knowledge and skills of employees of enterprises and research and development institutions (necessary for the actual implementation of innovations in national economy).

Moreover, Poland has noticed the necessity to strengthen innovativeness of Polish economy through investments in automation, robotization and digitalisation of economy while ensuring protection of intellectual property and data security, enabling the domestic entities to participate in transformation of European economy to the level referred to as “Industry 4.0”. Transformation in this direction will also be supported by development of mechanisms that assist in implementation of modern technologies and managerial methods, particularly those, which support transformation towards a circular economy . This requires further support for ecosystems of innovation and entrepreneurship.

Priority should also be given to activities aimed at creating an investment climate conducive to innovation, start-ups, development of clusters, technology transfers or promotion of knowledge diffusion and best practices among entrepreneurs. It should be remembered that despite catching up, the performance of Polish enterprises lags behind the EU average. **Focusing of support only on small and medium-sized enterprises would limit effectiveness of private investments growth**, which the EC rightly points out in the Country Report as one of the barriers hindering development (see chapter 3.4.1). Therefore, supporting of links and cooperation between small and medium-sized enterprises and the big ones will be beneficial for development of new value chains, integrating local and domestic business entities, that have different potential to develop and implement innovations.

## Policy Objective 2: A low-carbon and greener Europe

Investment priorities in the area of energy, listed in Annex D, focus mainly on improvement of energy efficiency and reducing the green-house emission. In the nearest future, key role will be played by investments in energy efficiency of residential and public buildings, RES, heating networks and cogeneration with the use of natural gas or RES. It is necessary to promote sustainable management of water resources by providing the necessary investments in municipal sewage treatment plants. Investments in adaptation to global climate change and counteracting natural disasters will also play a key role.

From Polish perspective, a significant drawback of Annex D is the lack of clear an unambiguous recognition of a need for support a holistic actions to reduce air pollution. In addition, Poland identifies the need for investment in modernisation of the power transmission and distribution infrastructure due to the need to meet the challenges of electric mobility and distributed generation (including RES) and to limit the high level of losses in transmission networks. It is also necessary to provide support for solutions that could be used to store energy, as well as those, which will facilitate integration of dispersed RES sources to the national grid and support the development of prosumer power generation.

In order to improve the energy mix, it is necessary to **further develop the gas infrastructure to expand gas distribution as a low-emission fuel, contributing to improving air quality** (see Country

Report. Poland 2019, chapter 3.4.1).<sup>19</sup> Other significant component that contribute to improvement of gas infrastructure are underground gas storage facilities in salt caverns. These facilities are aimed at ensuring security of supplies in the winter season and in the case of disturbance of supply from the dominant import directions.

Investment in sustainable management of water resources should also be conducted in the rural areas. It is necessary to initiate a structural transformation toward circular economy, which enforces support for production sectors, “waste management”, as well as promotional and awareness-raising campaigns among the consumers. It is also necessary to develop secondary use of waste by the sector of enterprises.

In addition, we have identified the need for development of infrastructure needed to apply low-emission and emission-free public transport and development of electric mobility - e.g. through provision of alternative sources of energy for the sector and the associated distribution and charging network. Educational activity will also be undertaken with regard to use of public transport and zero-emission means of transport. More substantial support should be ensured for communes, cities and agglomerations, which exert the greatest influence on carbon emission and air quality. Improvement of air in Poland requires also investments in thermomodernization of buildings (both residential and public), connecting them to the municipal heating network as well as support persons at high risk of energy poverty.

Annex D also lacks of any reference associated with environmental protection and the green infrastructure. Poland is characterised by great biological diversity, existence of many forms of protection of natural resources, including a network of Natura 2000, and the still not fully used potential of green economy. At the same time, it should be repeated after the SRD that biological diversity is one of the basic resources that determining economic and social development. The condition of these resources, their availability and capacity of ecosystems to maintain balance affect the investment opportunities and the essential living needs.

### **Policy Objective 3: A more connected Europe**

Annex D lists the substantial investment shortages that Poland still experiences in the field of transport. Key activities will include further investments in completion of the TEN-T network, construction of modern transport connections between the largest urban centres, as well as improvement of transport accessibility of the entire country. It is also necessary to invest in development of intermodal transport and sustainable development of public transport in agglomerations to reduce dependency of inhabitants of the suburbs on cars. Further investments are also necessary in the digital communication sector, e.g. to limit the impact of digital exclusion.

Annex D has also left out investments with regard to a uneven access to the public transport important from the perspective of peripheral and intra-regional areas and people with disabilities.

In the transport sector, a key investment for Poland will be the Central Communication Port, which is to constitute a coherent transport hub, integrating the air and railway nodes, as well as the road network. Investments in aviation infrastructure should also strengthen security of this mode of transport, at the same time allowing for its complete inclusion into the regional and national transport system.

It is necessary to ensure sustainable mobility of goods and people through improvement of freight transport logistics, taking into account the principles of co-modality, and to increase effectiveness of collective passenger transport through development of modern means of transport (including purchase of rolling stock), adapted to the needs of persons with reduced mobility.

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<sup>19</sup> The need for investment in gas infrastructure has also been noticed by the World Bank in the report: *Poland Energy Transition. The Path to Sustainability in the Electricity and Heating Sector*, World Bank Group, 2018.

Digital communication should be improved through investing in data storage systems and smart grids, particularly in the energy sector. Solutions that support access to broadband Internet should be of universal nature (covering the rural and peripheral areas).

#### **Policy Objective 4: a more social Europe**

Annex D recognizes the need to improve access to the labour market as the key aspect. Regulations in this regard should take into account the situation of persons taking care of children or dependent persons, as well as those, who are inactive (in particular, persons with disabilities). It is necessary to invest in improvement of quality of education, with particular emphasis on vocational training and higher education, which should respond to the needs of modern economy. It also seems reasonable to focus on promotion and development of LLL, also by including employers in the system. Another challenge is the low share of employees representing small enterprises in trainings. Human and social capital should also be developed through improvement in accessibility and quality of public services both in the field of education, as well as health, culture and civic society.

In general, Annex D provides a well-defined list of Poland's investment priorities. Nevertheless, it also seems reasonable to support entrepreneurship in areas that are losing their social and economic functions, in particular the (medium-sized) cities. Poland fully recognizes the principles of the European Pillar of Social Rights and plans to implement these principles also through the EU funds.

As for participation of adults in training , access to professional re-education of farmers towards other sectors of economy should be improved. It is also necessary to develop education programmes in professions that involve skills needed for development of Industry 4.0 and circular economy.

In the area of social investments, one should not forget about the potential of culture for social inclusion and economic growth of regions. Moreover, Poland recognizes the need for further improvement of efficiency of public administration. Poland appreciates the opportunities offered by the Programme for Support of Structural Reforms (SRSP) however, it does not provide for activities which would not be related to implementation of reforms, but focus on closing the competence gaps in public administration or target groups. In addition, Poland identifies the need for development of the medical services sector (from development of skills of employees, through infrastructural support for health care institutions and new mechanisms and forms of rendering medical services, to broadly understood activity on behalf of prevention and health promotion).

#### **Policy Objective 5: A Europe closer to its citizens**

All of the investment priorities, described above, should be consistent with sustainable territorial development. Poland recognizes the need for inclusion regions that are lagging behind and are exposed at the risk of losing their socio-economic potential.

Polish regions differs in terms of their investment challenges and needs, which imply the need for strengthening the capacity to plan and conduct development activity at the local level, remaining in synergy with activities at the national level. The diversification of investment needs is visible, in particular, in the area of transport, energy infrastructure, access to public services, including the cultural sector, the ecosystem of entrepreneurship and innovation of local entrepreneurs.

At the same time, sustainable territorial development should absorb the national priorities. This will be possible only through investment in administrative capacity - also at the local level - to coordinate and plan the key economic and investment processes, its innovativeness and effectiveness, development of public-private partnerships, also through development of e-administration. This includes the need for development of mechanisms for integrated planning and implementation of social and economic policies at all levels of the governmental and local administration. In addition, new solutions in the area of territorial cooperation between local governments of various levels in solving territorial development challenges should be supported.

## 4.2 Better regulatory environment and a digital state

A fragment of the Country Report Poland 2019: *Specific features of the regulatory environment continue to hinder the investment and business climate. ... compliance with certain administrative requirements and procedures remains burdensome. ... The administrative procedures for issuing building permits are still long and burdensome, prolonging investment processes. ... The relatively slow progress in digital public services can also be observed in other areas... Uncertainty for business persists due to factors like the number of regulatory changes, the poor quality of some laws and lack of effective public consultations. (p. 41-42).*

### **The new public procurement law and digitalisation of procedures (Ministry of Entrepreneurship and Technology/Public Procurement Office, Ministry of Digitalization)**

One of the priorities of the economic policy of the government, specified in the Strategy for Responsible Development, is increasing of effectiveness of public procurement. Such is the aim of the new Public Procurement Law Act. The draft introduces the principle of effectiveness, understood as the best ratio of contract performance costs to the effects achieved. The draft of the new act includes solutions aimed at reduction of administrative costs in the public procurement system, among other things, through reduction of the number of open tenders by replacing them with other modes, mainly based on negotiations. Increase in the quality of orders will be achieved by placing greater emphasis on stages of the procedure other than the selection process - including planning and preparation of the order, as well as its completion and evaluation. It is expected that the new act will enable greater share of the SME sector in public procurement and increase overall interest of potential contractor in competing for public contracts.

Full digitalisation of public procurement procedures above thresholds lower than required by the EU law is planned. For this purpose, the Ministry of Digitalisation is currently working on the e-Procurement platform. It will be an effective digitalised system of public procurement, meeting the expectations and needs of the stakeholders. E-services offered through the platform will facilitate and shorten public procurement procedures for the clients - mainly the public administration - as well as contractors. The platform will facilitate access to information concerning public procurement procedures, making it possible to reduce the time and cost of preparation of the appropriate documents and reporting. The e-Procurement platform will also facilitate activity of supervision authorities in the area of public procurement.

An additional component of digitalisation of public procurement, at the performance stage, will be the intermediate electronic invoicing platform for the sphere of public finances (PEF), which is currently being developed by the Ministry of Entrepreneurship and Technology. The aim of this project is to implement obligatory receipt of structured electronic invoices by the public administration. Such obligation is based on Directive 2014/55/EU on electronic invoicing in public procurement, implemented in the Polish legislation by the act of 9 November 2018 on electronic invoicing in public procurement, concessions for construction works or services and public-private partnership. The act shall become fully binding on 18 April 2019, and on this date the functioning of the PEF Platform will commence. Launching of PEF for public procurement will not only establish the conditions for transparency of spending of public funds on the domestic market, but it will also facilitate participation of Polish entrepreneurs in public procurement procedures in other EU member states.

The draft of the public procurement law act also contains the legal framework for establishment and implementation of the state procurement policy, which should stimulate development of innovativeness and achievement of social, economic and environmental goals. The procurement

policy of the state will be the guidance document at the strategic level, constituting a set of “soft” guidelines and meta-principles, supplementing the Public Procurement Law Act and setting out the key principles of procurement in the public sector. As a result, it will be possible to use public procurement systematically as a tool for implementation of the industrial strategy, digitalisation, innovative technologies in economy, reduction in consumption of resources or environmental impact. This will be possible thanks to such principles of the procurement policy as: the state as a demanding client, preferences for innovative and environment-friendly solutions, facilitating of access for the SMEs, coherence with development objectives of the state, digitalisation at all stages, professionalism of clients, their social and economic responsibility, grouping of purchases and avoidance of dependency upon a single supplier.

### Schedule

- Adopting of the draft act by the Council of Ministers - **2nd quarter of 2019** <sup>20</sup>.
- Launching of the PEF Platform - **2nd quarter of 2019**.

### Financial implications

Performance of tasks resulting from the Act will not increase the state budget burden. The costs of new tasks associated with conciliation proceedings will be covered by fees charged for applications for these proceedings. The total cost of development of the e-Procurement Platform in the period of 2017-2020 amounts to PLN 16.1 million, including PLN 13.6 million of the EU funds. The state budget funds designated for the purpose amount to PLN 2.4 million. The maximum limit of expenditures from the state budget for functioning of the PEF has been determined in the act to amount to PLN 1.73 million for year 2019 and PLN 2.85 million for the subsequent years.

### Limiting of bottlenecks in payments (Ministry of Entrepreneurship and Technology)

A draft of the act on amendment of certain acts to limit bottlenecks in payments has been prepared. The aim of the project is to reduce bottlenecks in payments, in particular, in the case of asymmetric relations (between large enterprises and SMEs). The problem of overdue payments concerns 80% to 90% companies in Poland, and as many as 1/3 entrepreneurs encounter problems in getting timely payments for more than 1/3 of their receivables. Therefore, development of effective instruments to protect creditors has been considered a priority. Apart from changes that introduce civil law solutions - such as the maximum statutory time limits for payment not subject to extension in asymmetric relationships and in transactions, in which the debtor is a public entity (other than a health care institution), increasing of interest rates for delays in commercial transactions (except for relations, in which a healthcare institution is the debtor) and certain simplifications for entrepreneurs of the civil law court procedure - simultaneous amendments of acts of administrative law have been proposed. Within the framework of the latter, the planned amendments include the requirement of publication of annual reports on payment practices of large entrepreneurs, introduction of the so-called bad debt relief in income taxes and establishment of administrative penalties for companies generating bottlenecks in payments, to be imposed by the Head of the Office of Competition and Consumer Protection (UOKiK). These proposals are all the more reasonable as in many cases, civil law instruments may turn out to be insufficient for achievement of project objectives.

The project includes amendment of the following acts:

- Code of Civil Procedure (introduction of a simplified securing procedure in cases concerning financial claims due to commercial transactions),
- the act on personal income tax (introduction of the so-called bad debt relief),
- the act on corporate income tax (introduction of the so-called bad debt relief),

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<sup>20</sup> The entry into force of the Act will take place on 1 January 2021, i.e. beyond the time frame of the current update of NRP.

- the act on counteracting unfair competition and the act on counteracting unfair abuse of contractual advantage in trade in agricultural and food products (adding of “unjustified extension of time limits for payment for products or services provided” to the catalogue of unfair competition acts),
- the act on flat rate income tax on some revenues generated by natural persons (taking into account the so-called bad debts),
- the act on public finances (adding on provisions stating that a holder of the budget part or a holder of a special purpose state fund may give a consent to withdraw from claiming the compensation referred to in art. 10 section 1 of the act on payment terms, if the amount is higher than or equal to the pecuniary benefit constituting the remuneration for supply of services or goods),
- the act on payment terms in commercial transactions (including increasing of statutory interest for delays in commercial transactions, shortening of payment terms to 30 days in transactions, in which a public entity is the debtor, shortening of payment terms to 60 days in “asymmetric” B2B transactions, automatic application of the statutory payment term in the case of inconsistency of contractual provisions establishing the payment term with provisions of the act, differentiation of the compensation amount depending on the remuneration amount, clarification of the catalogue of payment practices that are grossly unfair in relation to the creditor, publication of data on payment practices of the biggest debtors).

#### **Schedule**

- Adopting of the draft act by the Council of Ministers - **2nd quarter of 2019.**
- Legislative work in the Sejm and the Senate - **2nd quarter of 2019**
- Entry into force - **1 January 2020.**

#### **Financial implications**

The solutions proposed in the draft will, in the first place, lead to increase of total budget expenditures of the UOKiK by approximately PLN 16 million per year. This increase is due to the new task imposed upon the Head of the UOKiK, that is, handling of procedures in cases of excessive delays in payments.

#### **The new Tax Ordinance Act (Ministry of Finance)**

Activities undertaken in years 2018-2019 are aimed at conducting legislative works on two drafts of acts prepared by the Codification Committee for General Taxation Law, that is, a draft of the new Tax Ordinance act and a draft of the act on introductory provisions to the Tax Ordinance Act and the Act on the Taxpayers’ Ombudsman. At present, the governmental stage of the legislative process is being implemented (the draft acts are being considered by the Permanent Committee of the Council of Ministers).

The aim of legislative changes is to:

- ensure protection of taxpayer's rights in their relations with taxation authorities,
- enhancing of effectiveness and efficacy of tax collection.

The changes planned are to result in:

- simplification of tax proceedings in less complicated cases,
- popularisation of use of electronic communication,
- standardisation of rules and less formalized tax inspections,
- introduction of a simpler procedure for claiming tax surplus and return amounts.

#### **Schedule**

- Adopting of the draft act by the Sejm and the Senate - **2nd quarter of 2019.**
- Entry into force of the act - **1st quarter of 2020.**



## **Financial implications**

In 2019, individual stages of the legislative process will be implemented, without any implications for the sector of public finances.

## **Reform of the system of spatial planning and development as a part of simplification of the investment and construction process (Ministry of Investment and Economic Development)**

The reform of the system of spatial planning and development is aimed at ensuring sustainable development of the country while maintaining spatial order and taking into account the public interest, as well as simplification of the investment process and enhancement of effectiveness of spatial planning. This complex reform is to prevent chaotic suburbanization and devastation of space, restore rationality of spatial management processes, at the same time building a strong foundation for effective implementation of investment and construction processes, ensuring stable conditions for investors. The regulations proposed will improve the functioning of spatial planning to achieve rationalization of public expenditures on development and further operation of the infrastructure.

In year 2018, works were conducted to reform the investment and construction process and the spatial planning and management process. These resulted, among other things, in proposals for assumptions of the spatial planning reform. In the current year, works on the draft of the act will be continued intensively.

### **Schedule**

- Interdepartmental consultations concerning the draft - **2nd/3rd quarter of 2019**
- Adopting of the draft act by the Council of Ministers - **2nd/3rd quarter of 2019**
- Expected entering into force of the act - **4th quarter of 2019**

## **Financial implications**

At this stage of works, these implications cannot be foreseen.

## **Improvement of the course of proceedings in business judicial cases (Ministry of Justice)**

Within the framework of improvement of court proceedings in business judicial cases, at the same time contributing to improvement of the broadly understood business security, in the draft act adopted on 19 December 2018 by the Council of Ministers on amendment of the Code of Civil Procedure and some other acts, changes have been planned with regard to business judicial cases. The main solutions proposed in this part of the draft act include: introduction of preparatory proceedings; restoration of separate proceedings for judicial business cases, at the same time making sure that lawsuit formalities will be adhered to more strictly, and limiting such proceedings as regards their subject and parties, as well as introduction of solutions that would prevent the so-called “abuses of procedural law” by the party aiming at lengthening of the proceedings. Moreover, the draft proposes:

- shifting of tasks associated with proceedings between the first and second instances (examination of admissibility, formal and fiscal defects of the appeal) to the court of the second instance and introduction of the principle of reconsideration of the case (after the judgment has been revoked by the court of the second instance) by the same jury that issued the judgment;
- introduction of the system of “horizontal” complaints, recognized by a jury different from the one that issued the judgment subject to appeal in the case of certain categories of judgments (in particular, this applies to incidental and non-final cases of proceedings);

- introduction of the principle of issuing of judgments that can be subject to appeal during closed door hearings and providing their justification only on request of a party;
- modifications of the electronic writ-of-payment proceedings;
- broadening of competences of court clerks;
- strengthening of the position of consumers and making it easier for other entities to make claims by preventing taking advantage of alternating jurisdictions in cases against consumers (e.g. initiation of proceedings by the court of appropriate jurisdiction for the entrepreneur) and by introduction of the possibility of initiating proceedings against the State Treasury before the court of appropriate jurisdiction for the place of residence of the plaintiff.

### Schedule

- Legislative work in the Sejm and the Senate - **2nd quarter of 2019**
- Entry into force of the act - **upon expiry of 3 months after its publication.**

### Financial implications

The solutions planned may influence the level of expenditures and revenues of the state budget in part 15 courts of common law. The reform does not include organisational changes in courts of common law that could generate additional costs. Even if some of the solutions proposed may generate additional expenditures, performance of tasks should take place on the basis of resources available to common courts without the need to increase expenditures in this regard in the year, in which the regulations come into force or in the following years.

Referring to income, as a result of the planned change, the total proceeds to the state budget due to costs of civil proceedings may increase by around PLN 309.3 million, amounting to approximately 577.8 million, in comparison with PLN 268 million at present.

### Amendments to bankruptcy law in relation to natural persons (Ministry of Justice)

A draft of the act on amendment of the Bankruptcy Law Act and certain other acts contains proposals of provisions enabling natural persons to enter into agreement with creditors, using the agreement approval procedure, provided for in the Restructuring Law Act and currently applicable only to entrepreneurs. According to the draft, the court will be able to suspend handling of a bankruptcy claim for 5 months, until it has been determined whether an agreement with creditors is possible.

This solution should allow the debtor to retain their assets, avoid individual or bankruptcy-related enforcement and restructure their debt in cooperation with a restructuring advisor, after the agreement has been approved by the court. If it is not possible to reach agreement, it will be possible to file for personal bankruptcy. This solution is to be dedicated to all those, who, having income at the level of the national average or higher, have fallen into debt preventing them from normal functioning.

It is proposed that examination of intentional conduct and gross negligence is excluded from consumer bankruptcy proceedings. Examination of the reasons for loss of solvency is to be shifted to the stage of determination of the repayment schedule or a decision of forbearance without a payment schedule. Improper behaviour preceding insolvency will not result in being unable to file for bankruptcy, but in prolonging of the payment schedule by the period of 4 to 7 years. In the draft, amendments are being considered, allowing for refusal to debt removal of a debtor, who intentionally put themselves in the state of insolvency. The solutions proposed are aimed at accelerating the court phase of proceedings associated with insolvency of natural persons, most of all, those not engaged in business activity. It will also be possible to reduce the number of bankruptcy proceedings in cases, in which debtors have permanent income and are able to take advantage of

proceedings to approve the agreement, where the role of the court is limited to issuing a decision on approval of the agreement reached.

#### **Schedule**

- Adopting of the draft act by the Council of Ministers - **2nd quarter of 2019.**

#### **Financial implications**

The financial implications will be presented during the further stage of works on the draft of the act on amendment of the Bankruptcy law act and some other acts. Performance of tasks resulting from introduction of the act will not cause an increase in expenditures from the state budget.

#### **Support for non-cash turnover (Ministry of Entrepreneurship and Technology)**

This measure is aimed at popularization of non-cash payments and replacement of some of cash transactions with non-cash transactions (including use of innovative payment instrument and services, mobile and proximity payments, electronic transfers etc.) and warranting to consumers the right to non-cash payments in commercial outlets. It is assumed that this objective will be achieved both in the private and public sector.

In the recent years, non-cash turnover in Poland has been developing dynamically, and use of payment accounts and non-cash payment instruments to settle everyday payments is becoming increasingly popular. Dedicated programmes implemented by the Non-Cash Poland Foundation (see appendix 1) have contributed to this substantially. Nevertheless, the distance between our market and the level of non-cash turnover in other EU member states, has remained significant. Because of this fact, Polish economy loses about a dozen billion zlotys every year.

In order to support development of non-cash turnover through appropriate regulations, Ministry of Entrepreneurship and Technology has prepared a draft of the act on amendment of certain acts in association with development of non-cash payments. The draft provides for introduction of the obligation to accept cashless payments in the public administration (amendment of the Tax Ordinance Act and the act on stamp duty) and among entrepreneurs. In particular, the draft is addressed to sectors, which are most prone to enter the grey market and sectors, in which at present the possibility of acceptance of other payment instruments (except cash) is limited.

It is expected that the draft act will exert positive impact on activity of micro, small and medium-sized enterprises. The legal provisions planned should translate to higher incomes of entrepreneurs, increasing of the number of clients preferring payments using electronic instruments, including innovative solutions, quick and safe payment transactions. In addition, the new provisions should contribute to cost and time savings of companies. Time spent by employees on cash settlements and the necessity to transport cash to the bank is to be limited. The same may apply to use of electronic payment instruments in relation to charges and receivables to tax and enforcement authorities. The new legislation will be also beneficial for citizens, who will be able to make non-cash payments at public administration institutions, which will translate into faster and easier handling of formal affairs.

Due to the specific nature of cashless payments (a trace left in the banking system), they can be used as one of the tools to counteract the grey market. Unlike cashless payments, cash payments leave no trace, making it possible to hide transactions. Increase in cashless turnover should thus contribute to limitation of the grey market in economy, resulting in increase in revenues of the sector of public finances and improvement of the competitive position of honest enterprises.

#### **Schedule**

- Adopting of the draft act by the Council of Ministers - **2nd quarter of 2019.**
- Entry into force of the act - **1st quarter of 2019.**

## Financial implications

The project will have no financial implications for the state budget.

### e-Delivery (Ministry of Digitalization)

Introduction of the registered electronic delivery service, allowing for delivery of correspondence with legal effect equivalent to traditional delivery, available at present, will respond to the needs of the project stakeholders and provide a perspective for increase in the number of persons contacting public entities via electronic means. It is crucial for the project to define the rules of use of the public e-Delivery service and the public hybrid service, including their legal provisions, so that they can be used in communication between parties as a legally effective method like sending of a traditional registered letter with confirmation of receipt or personal delivery.

e-Delivery can be implemented to all administrative processes requiring delivery or applied directly instead of a printed registered letter. As a result, trustworthy suppliers will be able to issue confirmations of sending and receipt of consignments in accordance with eIDAS - regulations on electronic signatures - and access to an electronic mailbox, in which consignments sent and received can be stored or downloaded (along with confirmations of delivery) to the external system. The traditional process of handling of a registered letter or an official letter with confirmation of receipt generates additional costs for public entities, which are difficult to estimate, including the costs of printing, handling of correspondence, as well as storage of documentation sent and received.

Introduction of the public e-Delivery service will allow for reduction of fixed costs of public entities, generated in the process of handling of correspondence, at the same time accelerating formal procedures. According to data of the designated mail operator (estimated on the basis of contracts entered into with public entities for delivery of registered letters with confirmation of receipt in year 2017), public entities and courts incurred costs in this regard exceeding PLN 500 million in year 2017. Digital public services should constitute the default form of communication between citizens and entrepreneurs and the public administration, as the form, which not only generates budgetary savings, but offers a comfortable alternative for the traditional printout form.

e-Delivery will be accessible for citizens and entrepreneurs, who, upon submission of the Digitalisation Statement (recorded in state registers) will be able to demand electronic communication from entities of the public sector. The scope of this project includes the postal hybrid consignment service to enable communication between public entities and digitally excluded persons. The hybrid consignment will provide the possibility of sending and receiving correspondence in form of postal consignments (while maintaining digital format of correspondence at public entities), if a given entity cannot use the electronic format of correspondence.

The solution proposed will also ensure access to cross-border exchange of data within the framework of eligible services of registered electronic delivery with recipients in the territory of the EU. Standardisation of communication methods should also encourage commercial suppliers to offer the eligible electronic delivery service.

Development of the legal basis for e-Delivery is the subject of the draft act prepared by the Minister of Digitalisation on digitalisation of delivery and amendment of certain other acts.

### Schedule

- Securing of the source of financing of the project from Operational Programme Digital Poland - **2nd quarter of 2019.**
- Preparation of the e-Delivery standard - **2nd quarter of 2019.**
- Ready e-Delivery - pilot tests - **4th quarter of 2019.**

- Adopting of the draft act by the Council of Ministers - **3rd quarter of 2019<sup>21</sup>**.

### **Financial implications**

The solution proposed in the project will allow public entities to generate savings associated with handling of correspondence. It is estimated that in 2025, with the estimated volume of registered consignments with confirmation of receipt at the level of 119 million and the rate of digitalisation statements among citizens and non-public entities of 30%, annual savings of public entities will exceed PLN 160 million. In the case of electronic shipment, the presently incurred costs associated with performance of secretarial tasks will be eliminated, in particular, printing costs and working time costs of handling of consignments in paper format. Savings thanks to elimination of these costs, taking into account the earlier annual volume of these consignments, will amount to approximately PLN 610 million.

#### **Frame 2: Key projects that contribute to development of e-services in the health care sector (Ministry of Health)**

For the purpose of improvement of the quality and effectiveness of medical services and reduction of state expenditures on health protection, the following activities have been undertaken in the course of digitalisation of public health care:

##### **The project “e-blood – informatization of the public blood service and development of blood treatment supervision”**

The aim of the project is to support public blood services and to supervise chemotherapy in optimal use of resources consisting of blood and blood components by applying modern ICT tools to improve the quality of medical services rendered on behalf of the society, in particular, by ensuring access to new electronic services. The undertaken works will increase the number of blood donors and donations by limiting administrative tasks associated with blood donations, and they will allow for adjustment of the number and types of donations to the forecast demand for blood and its components. The project fits into the framework of Action 2.1 of the Operational Programme Digital Poland, where the planned electronic services will improve accessibility of benefits for citizens, as well as their quality and effectiveness. Implementation of the project will also contribute to neutralisation of problems identified in the European Digital Agenda, improving the quality of medical services being rendered on a national scale, and in the future, limiting the costs of patient treatment thanks to better access to blood and its components.

Completion of works within the framework of this project, which is to result in making the productive environment of services accessible to entities engaged in health care activity and for blood donors and candidates for donors, will take place in the 2nd quarter of year 2021.

##### **Project “Introduction of recent e-services in health care entities supervised by the Minister of Health”**

The main objectives of this project include expansion of the electronic medical documentation (EDM) systems in order to improve access to medical data and adapt activity of medical entities to the changing legal provisions. The project is also aimed at enhancing effectiveness of the course of treatment processes through implementation of e-services for patients of health care institutions subordinate to and supervised by the Minister of Health, that is, processing and replacement of the EDM for the purpose of maintaining and replacing electronic medical documentation and ensuring interoperability and compatibility of systems used to manage electronic medical documentation. The project includes tools such as e-Order that improves flexibility of treatment and business processes by providing organisational units with the opportunity to commission activities, which

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<sup>21</sup> The entry into force of the Act will take place in the 3rd quarter of year 2019, i.e. beyond the time frame of the current update of NRP.

until present could not be performed by such units to external entities, e-Registration, enabling electronic booking of dates of selected medical services, made available by health care institutions participating in the project, as well as e-Analyses, providing access to functionalities that enable preparation of sets of data to allow for financial, qualitative and organisational analyses, in particular, comparative analyses for the purpose of relating the results achieved by individual units to those of other health care institutions.

The above project will be granted co-funding within the framework of the Operational Programme Digital Poland for years 2014-2020. Settlement and conclusion of the project has been planned for the 3rd quarter of year 2021.

#### **Project “Electronic Platform for Collection, Analysis and Sharing of records (P1)”**

The scope of this project includes: handling of electronic prescriptions (e-prescriptions), handling of electronic referrals (e-referral), handling of medical events, exchange of EDM, Patient’s Online Account and the Providers and Pharmacies Application.

As a result of the project, it will be possible to achieve:

- Improvement in quality of services rendered on behalf of patients by allowing the Beneficiary to gain access to information concerning their medical events.
- Planning of health care by providing the public administration with information necessary for effective planning of health care.
- Ensuring interoperability with European electronic platforms in the sector of health care - sharing of digital resources concerning medical events.
- Providing reliable data on medical events regardless of their source of financing.

Allowing for integration with other IT systems used internally by entities providing data for the purposes of the project.

The P1 project will be completed in the 2nd quarter of year 2020.

### 4.3 Health care

A fragment of the Country Report. Poland 2019: *While first steps have been taken, so far there has been no progress in improving air quality. Air pollution remains a major health concern, especially in several towns and cities in the south of Poland*

#### Clean air programme (Ministry of Environment, Ministry of Entrepreneurship and Technology, Ministry of Energy)

The aim of measure with regard to Clean air programme is a complex improvement in air quality to achieve its condition that does not cause a significant threat to health and the environment, compliant with the EU legislation, and in the further perspective - with the WHO guidelines, as well as raising of social awareness of negative impact of air pollution on human health. The reporting part (appendix 1) contains a description of activities undertaken so far within the framework of the Clean air programme, included in the previous update of the NRP. At present, further works are being implemented with regard to improvement of the poor quality of air in Poland.

The Ministry of the Environment is working on an amendment to the Environmental Protection Law act (art. 91 and art. 84) as a result of the judgment of the Court of Justice of the European Union, announced on 22 February 2018 against Poland in association with the complaint submitted by the European Commission, concerning the air quality limits for particulate matter PM10, which have been exceeded for years. The draft of the act will contain such changes as clarification of provisions of inspections conducted by the Environmental Protection Inspectorate, timeliness of development of air protection programmes and short-term action programmes, as well as financial sanctions for a failure to comply with these. Moreover, the Ministry of the Environment has been engaged in works on amendment of the regulation of the Minister of the Environment of 11 December 2012 on programmes for air protection and short-term action plans (Journal of Laws item 1028). A new, detailed substantive scope will be defined with regard to air protection programmes and short-term action plans, as well as reports on implementation of these programmes and plans that the regional authorities are obliged to prepare.

On 11 February 2019, an amendment of the act on supporting thermomodernization projects came into force, prepared by the Ministry of Entrepreneurship and Technology, which is aimed at improvement of air quality, energy efficiency, as well as testing of the programme of thermomodernization of single-family buildings of fuel poor households. In the current years, agreements with communes will commence for implementation of low-emission undertakings. Within the framework of co-funding in the case of communes of up to 100 thousand inhabitants, the communes are to commit themselves to provide from their budget 30% of costs of implementation of such agreements, while the rest of the funds will be supplied by the Thermomodernization Fund.

The Ministry of Energy will conduct an assessment of functioning of the heat market in Poland, including an assessment of its potential and preparation of recommendations with regard to the heat market development strategy, in particular, in the context of adjustment to the requirements of the EU legislation being implemented, and it will propose amendment of legal provisions or direction of such amendments, enabling achievement of the defined goals with regard to ensuring of proper functioning of the heat market in Poland.

The National Fund for Environmental Protection and Water Management in Warsaw, acting in cooperation with provincial funds for environmental protection and water management, launched acceptance of applications in September of 2018 within the framework of the Clean Air Priority Programme. The aim of the programme is to improve energy efficiency of single-family houses and to

reduce or eliminate emission of dust and other pollutants to the atmosphere by single-family houses through replacement of old and ineffective heating equipment for solid fuels and through complex thermomodernization of buildings. The programme is addressed to owners of single-family houses. The undertaking is funded in form of a donation and/or a loan, taking into account the household income. The programme will be implemented until year 2029, and the total budget for this period amounts to PLN 103 billion. The Clean Air Priority Programme is implemented on the basis of domestic funds, being at the disposal of National Fund for Environmental Protection and Water Management and the provincial funds for environmental protection and water management, and in the subsequent financial perspective, additional EU funds are to be engaged.

#### **Schedule**

- Entry into force of the act amending the Environmental Protection Law act - **2nd/3rd quarter of 2019.**
- Entry into force of the regulation of the Minister of the Environment on air protection programmes and short-term action plans - **2nd/3rd quarter of 2019.**
- Conclusion of agreements with communes for implementation of low-emission undertakings - starting from **2nd quarter of 2018.**
- Preparation of assessment of functioning of the heat market in Poland - **4th quarter of year 2019/ 1st quarter of 2020.**

#### **Financial implications**

Legislative changes prepared by the Ministry of the Environment will have no financial implications for the state budget.

In the case of expenditures associated with implementation of low-emission undertakings by communes, the annual expenditures will amount to PLN 128.57 million in years 2019 and 2020. These amounts will consist of the contribution from the Thermomodernization Fund in the amount of PLN 90 million per year and contribution of local government units - PLN 38.57 million per year.

Recommendations with regard to the strategy for development of the area of the heat market prepared by the Ministry of Energy will have no financial implications for the state budget.

Over the long-term horizon, activities within the scope of the Clean air programme will exert positive impact on the state budget - by reducing incidence of illnesses of the respiratory tract, which will be directly associated with reduction of health care expenditures in this regard.

*A fragment of the Country Report. Poland 2019: Health outcomes have continued to improve but remain below the EU average. (...) Improving the efficiency and co-ordination of healthcare remain priorities. (page 31)*

#### **Change of the organisational model of oncological care in Poland (Ministry of Health)**

Malignant neoplasms constitute a significant and growing health, social and economic problem for the Polish society. The scale of this problem is measured by the number of new cases (163.3 thousand), deaths (100.6 thousand) and more than 999 thousand people living with neoplasms at the beginning of the second decade of the 21st century. Unfortunately, the results of oncological treatment in Poland are still lower by 10 to 12 percentage points than those recorded in other European countries. According to the forecasts, by the year 2025, the number of patients suffering from malignant neoplasms will have increased by about 25 thousand.

It should be underlined that no improvement has been achieved so far in the areas that determine the effectiveness of oncological treatment, such as early detection of the disease, quick and precise



diagnosis, which would allow for application of optimum therapeutic procedures of complex nature and representing an adequate quality.

Due to an immensely dispersed structure, direct expenditures on oncological care are allocated improperly. Indirect costs are also growing, often being several times higher than direct expenditures of the NFZ for treatment.

Taking into account the above, action was commenced to change the system of oncological treatment.

The first stage of changes introduced in the oncological care organisation model is a pilot test of the oncological network. The aim of this undertaking is to test solutions with regard to changes in oncological care. It is assumed that the new system that is being developed will contribute to greater accessibility of oncological care and improvement of coordination of patients in the system. On 13 December 2018, a regulation of the Minister of Health was signed, concerning the pilot programme of beneficiary care within the framework of the oncological network (Journal of Laws item 2423). The pilot programme will include testing and assessment of validity and efficacy of functioning of the model based on a network of oncology centres.

The pilot programme (the first stage) will be implemented for the period of 18 months from the day following the date of signing of agreements for services to be rendered within the framework of pilot tests of the new oncological care model, by service providers participating in the programme in dolnośląskie and świętokrzyskie provinces that is, from 2 February 2019. The pilot programme will consist of testing of the new model for organisation of oncological care. Regardless of their place of residence, all patients will receive the same treatment standards, complex care and a coordinator to guide them through the entire treatment period. After completion of the first stage of the pilot programme, an amendment concerning the pilot programme for care of the beneficiary within the framework of the oncological network, aimed at introduction of the second stage of the programme of a new oncological network model by extending the programme to include more provinces is to be introduced to the regulation.

The next stage shall to consist of preparation and implementation of changes in hemato-oncological care by means of developing of a complex care system based on guaranteed benefits.

Simultaneously with the pilot program, works on preparation and implementation of the act on the National Oncological Network will be conducted. Ultimately, only implementation of the National Oncological Network will bring the expected effects, that is, improvement of security and quality of oncological treatment, increase in patient satisfaction and cost optimisation of oncological care.

According to the assumptions underlying the draft of the act, referred to above, the new structure will provide for specification of referential character of units, taking into account all of the medical entities included in the network and reflecting the level of their specialisation and the scope of tasks assigned. Such organisational changes in the system of oncological care will respond better to patient needs by ensuring coordinated care, in which the patient will be managed in accordance with the medical procedure path, designed at the beginning by a multidisciplinary team, taking into account the standardised diagnostic and therapeutic guidelines. Moreover, emphasis will be put on monitoring of the treatment efficacy, leading to improvement in the quality of oncological care.

The concept for change of the oncological care model in Poland and development of **coordinated and complex oncological care is based on:**

- Establishment of a network of oncological centres, consisting of a coordinating centre and referential centres, functioning in individual provinces (referential should be understood as the hierarchical system of organisation of all oncological treatment entities financed by public funds, taking into account their productive potential, in particular, the number and qualifications of the medical personnel, medical equipment and diagnostic and therapeutic

capabilities to ensure the proper quality and safety of services rendered). According to the plan, the network is to encompass not only oncology centres, but also other units offering high-quality medical care, in particular, units at universities;

- Organisation of activities associated with patient care between individual units operating in the network;
- Development of mechanisms involving the network of oncological centres in patient care in order to ensure and facilitate the proper oncological treatment;
- Organisation of care, including organisation of work of medical personnel and other resources necessary to perform all of the required activities associated with the patient care process, including exchange of information between participants responsible for various aspects of this care, the system of criteria and measures, allowing for objective assessment of the quality of oncological care, organisation of care and optimisation of public funds spent in the area of oncology.

The final decisions with regard to the oncological network will be made after implementation and analysis of the pilot programmes. Solutions adopted in the pilot programme include encompassing all patients with the new treatment model, not only those, who have obtained their oncological diagnostics and treatment cards (DIL0), which are currently used within the framework of the “fast path” of oncological treatment. Moreover, surgeries will be performed at the most experienced centres, at the same time locating chemotherapy and oncological radiotherapy as close to the patient as possible. Referentiality of centres belonging to the network will be introduced, and the provincial coordination centres will provide an oncological hotline, while centres of higher referentiality will organise collective consultations.

#### **Schedule**

- Adoption by the Council of Ministers of the act on the National Oncological Network - **4th quarter of 2019.**
- Amendment of the regulation on the pilot programme of patient care within the framework of the oncological network and broadening of the pilot programme for the oncological network by adding subsequent provinces (second stage of pilot programme) - **3rd quarter of 2019.**
- Development of complex services in hemato-oncological care - **4th quarter of 2019.**
- Commencement of works on establishment of a network of oncological centres - **1st quarter of 2020.**<sup>22</sup>

#### **Financial implications**

The proposed solutions, contained in the regulation of the Minister of Health on the pilot programme for care of patients within the framework of the oncological network will be financed by funds provided in the financing plan of the public payer, that is, the National Health Fund (NFZ).

Securing of funds from the NFZ budget will take place through a change in allocation of funds designated for financing of guaranteed benefits, specified in the financing plan of the National Health Fund for years 2019-2020.

Estimation of the pilot programme needs has been preceded by an analysis prepared on the basis of implementation of agreements with the NFZ within the framework of the oncological package and outside the scope of this package in year 2017.

According to the assessment of costs of implementation and performance of the pilot programme for the new model of oncological care (first stage of pilot programme) in the area of dolnośląskie and

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<sup>22</sup> Conclusion of the first stage of the pilot programme for the new model of oncological care in świętokrzyskie and dolnośląskie province will take place beyond the time frame of the current update of KPR.

świętokrzyskie provinces, it is expected that the total cost of the programme will amount to approximately PLN 48 million. Assuming that these are estimated data, it can be expected that the costs will amount to approximately PLN 32 million annually in year 2019 and 16 million in 2020.

### **Pilot programme for the new model of organisation of coordinated primary health care POZ+ within the framework of changes in the primary health care model (Ministry of Health)**

The main assumption of the coordinated care project is optimization of the process of delivery of health care benefits, as a result of which the path of the patient in the health care system (in particular, in between individual stages of treatment) is properly coordinated.

The new POZ+ model is focused on the patient and changes the service provision system based on hospital care, replacing it with a more flexible model, which uses prevention instruments in response to the growing demand and modern challenges in the sector of health.

The priority for organisation of coordinated care (OOK) in POZ+ is to include all patients registered in the POZ system and to offer to them an active form of medical care, in which the patient's visits at the clinic are initiated not only by the patient, but also by the service provider. The patient is to become an active partner of the medical personnel in joint decision-making with regard to modes of action to be taken in health and in illness, and care should focus on the real health needs of the patient (at present, decisions regarding the scope of services provided is based too much on the mode of settlement of these services by the payer).

The new model of care will consist of typical services rendered by doctors and nurses of primary health care with a broadened scope and number of preventive and educational activities, additional services for patients with chronic diseases, diagnostic and rehabilitation services. The new tasks will be performed by health care teams, supported by modern internal IT systems, which are ultimately to be synchronised with the nationwide and regional IT systems to enhance real time flow of patient information.

An open and transparent procedure has been applied to select those entities, which will test the model in all regions of the country, both in urban and rural areas. The POZ facilities will be obliged to adapt their organisational structure and internal IT systems for the purpose of management of coordinated care. An OOK Platform will be developed, aimed, among other things, at collecting and analysing data associated with ongoing implementation of the pilot programme, exchanging knowledge on the best practices and educational activity.

Monitoring and evaluation will be conducted on an ongoing basis to verify the effectiveness of the model assumptions made and to monitor the quality, among other things, with regard to patient satisfaction.

Substantive and analytical support on behalf of the National Health Fund in the monitoring process has been granted by the World Bank, which will be responsible among others for evaluation of achievement of reference values and objectives of the pilot programme, for systematic informational activity aimed at enhancing effectiveness of achievement of the defined objectives of the pilot programme, ex-ante and ex-post analysis of organisations joining the programme, as well as for analysis of consultation and teleconsultation with specialists.

At present, in accordance with the provisions of the agreement between the NFZ and the World Bank, tasks are being performed in preparation for monitoring of health care quality at the project level, consisting of implementation of the tender procedure for selection of the research firm to conduct surveys and focus studies for the purpose of monitoring and evaluation.

Trainings for health care entities participating in the POZ coordinated care have also been planned. Both the POZ+ model and the pilot programme are implemented within the framework of projects

co-financed by the European Social Fund as a part of the Operational Programme Knowledge Education Development.

### Schedule

- Adapting of the organisational and technological structure of POZ to the model implementation conditions – **4th quarter of 2019.**<sup>23</sup>

### Financial implications

Name of measure or part of measure	2019			2020		
	overall implications for the public finances sector (PLN)	including the state budget (PLN)	including the European funds budget (PLN)	overall implications for the public finances sector (PLN)	including the state budget (PLN)	including the European funds budget (PLN)
Testing of coordinated care organisation (OOK) - model POZ+	39,790 thousand (including 50 thousand from the NFZ funds)	6,255 thousand (including 50 thousand from the NFZ funds)	33,535 thousand	12,471.6 thousand (including 100 thousand from the NFZ funds)	1,960,535 (including 100 thousand from the NFZ funds)	10,511 thousand

<sup>23</sup> Establishment of the OOK Platform for mutual cooperation between the payer and the service providers for the purpose of pilot implementation of the model and Completion of monitoring of quality care at the project level will take place beyond the time frame of the current update of the NRP.

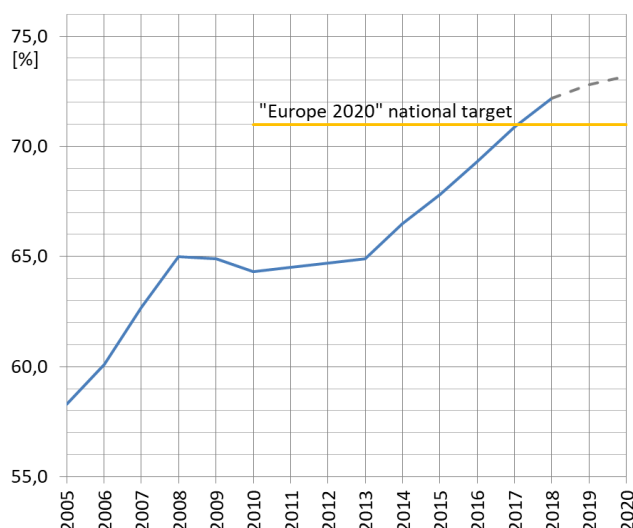
## 5. Measures aimed at achievement of Europe 2020 targets

### 5.1 Progress in target achievement

Monitoring of progress in implementation of the strategy Europe 2020 takes place on the basis of indicators associated with the five main objectives of the strategy for the following areas: employment, research and development, energy and climate, education and higher education and limitation of poverty and social exclusion.

The first target associated with employment is monitored using the employment rate for persons aged 20-64, that is, the percentage of the employed in the total population (in a given age group). **In 2018, this rate was at the level of 72.2%, meaning that it has exceeded the target value for Poland, defined for year 2020 (71%).** Moreover, according to estimates made for the purpose of updating of value of indicators to monitor achievement of objectives of the Human Capital Development Strategy, by year 2020, the employment rate should exceed 73%.

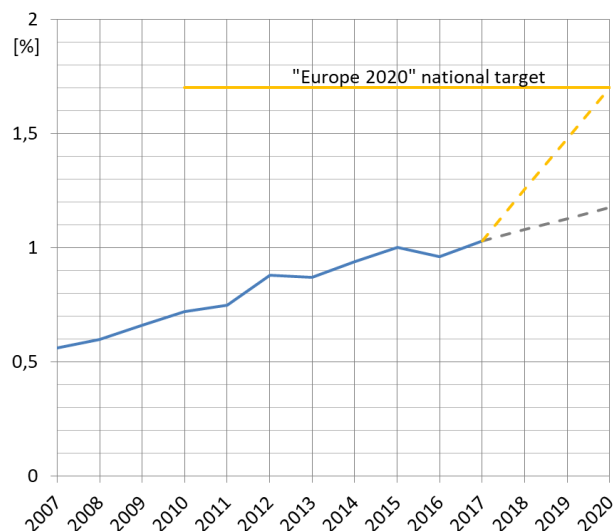
Chart 3. Employment rate in age group 20-64 and forecast of growth prepared by Ministry of Family, Labour and Social Policy



Source: Own compilation on the basis of Eurostat data.

**The ratio of expenditures on research and development to GDP (GERD/GDP) in 2017 amounted to 1.03%**, that is, PLN 20.6 billion (Chart 4). In absolute values, this means that expenditures have increased by PLN 2.64 billion y/y. Achievement of the declared targets is a challenge both for Poland and for the entire European Union (1.7% vs. 3%). The pace of growth of the share of expenditures on research and development in the GDP in Poland in years 2007-2017 has been more dynamic than the average pace for the EU. Relief for R&D&I activity, introduced in the recent years and systematically increased, makes it possible to expect further acceleration of expenditures in this area. In the second half of year 2019, taxation data will be available on utilization of the broadened scope of tax relief, introduced in 2018.

Chart 4. Gross Domestic Expenditures on Research and Development to GDP, forecast of increase in the indicator value on the basis of trends for years 2007-2017 (grey dotted line) and forecast of achievement of the target (yellow dotted line)



Source: Own compilation on the basis of Eurostat data.

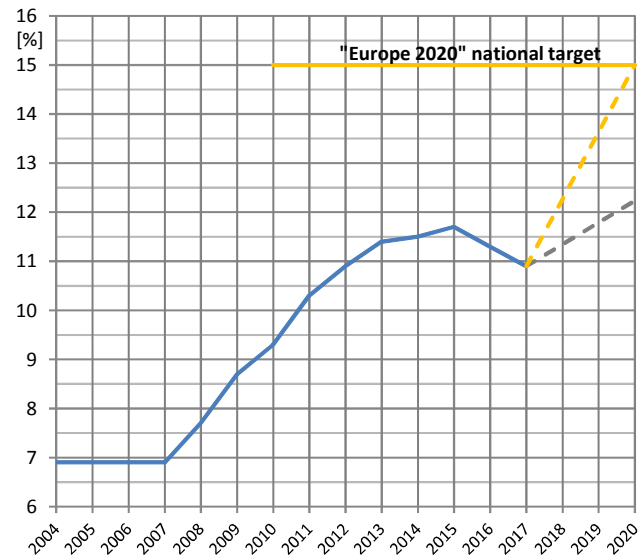
**Achievement of energy and climate targets of the Europe 2020 strategy (the so-called 20/20/20 targets) is monitored using three indicators.**

**The share of energy from renewable sources in gross final energy consumption in Poland in 2017 amounted to 10.9%**, which indicates a slight decrease - by 0.4 p.p. as compared to year 2016 - and it should be noted that new sources of renewable energy are being deployed in Poland on a systematic basis (Chart 5). In years 2004-2007, the share remained unchanged; however, a growth trend emerged after this period.

Reversal of the trend can be explained first of all by increase in consumption of other energy sources (e.g., consumption of diesel fuel increased by 40%), as well as modification of the RES support mechanism. As a result of switch to the auction-based system and implementation of EC recommendations, the first auction took place only in year 2018. The Ministry of Energy undertook activities aimed at returning to the appropriate path of RES development in Poland (cf. chapter 5.4). In order to achieve the target as planned, it is necessary to increase the pace of growth to 1.37 p.p. annually.

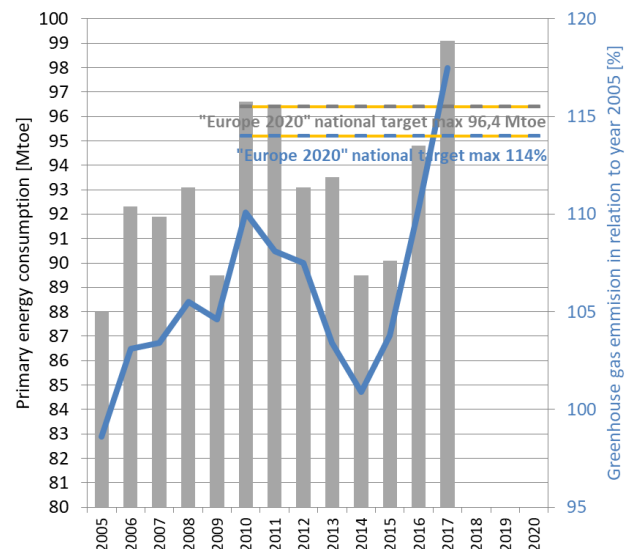
The second indicator is associated with limiting of emission of greenhouse gases through two mechanisms assigned to two different sectors of economy, that is, the European Union Emission Trading System implemented at enterprise level (EU ETS) and reduction of emission on a domestic scale in sectors not included in the ETS system (non-ETS or ESD, the *Effort Sharing Decision*). **Data of KOBIZE for year 2017 indicates that emission from non-ETS sectors in Poland has increased by 17.5%** (Chart 6) in relation to the baseline year (while the acceptable threshold for year 2020 is 14% of increase in relation to year 2005). This year, a value higher than the defined target for year 2020 was achieved for the first time. Therefore, it is necessary to intensify measures aimed at limiting emission in order to achieve the desirable value in year 2020. In relation to total emission in the EU ETS and non-ETS sectors in year 2017 per capita, it is worth noting that emission in Poland (10.5 tons of CO<sub>2</sub> equivalent) is only slightly higher than the EU average, amounting to 7.8 tons of CO<sub>2</sub> equivalent.

Chart 5. Share of energy from renewable sources in gross final energy consumption. A growth forecast on the basis of trends for years 2007-2017 (grey dotted line) and forecast of achievement of the target (yellow dotted line)



Source: Own compilation on the basis of Eurostat data.

Chart 6. Primary energy consumption (grey) and level of emission of CO<sub>2</sub> equivalent in non-ETS sectors in relation to year 2005 (blue).



Source: Own compilation on the basis of Eurostat and KOBIZE data.

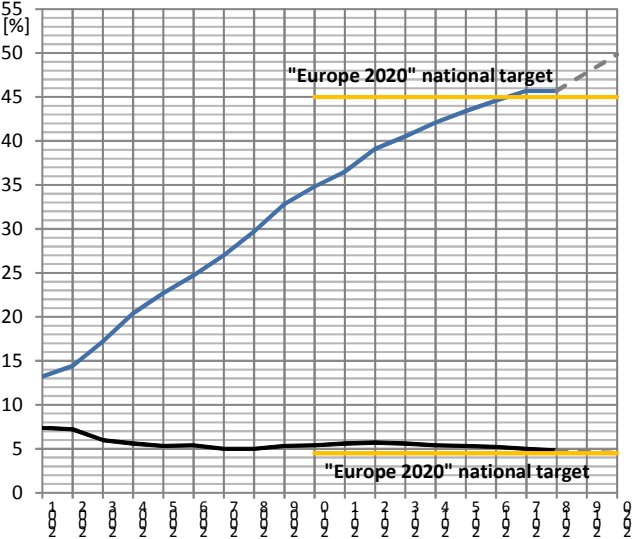
The third indicator refers to energy efficiency, and it is expressed by the level of primary energy consumption, which in 2017 amounted to 99.1 Mtoe (Chart 6). The target for Poland in this regard is 96.4 Mtoe, which has been exceeded. Dynamic increase in energy consumption is associated with strong economic growth in the recent years, as well as verification of data on energy consumption in transport through significant limitation of unmonitored trade in fuel.

The targets of the Europe 2020 strategy related to education are limiting of the number of persons dropping out of school early and increasing of the number of those with tertiary education. For the first of these two indicators, Poland has declared a very ambitious national target (below 4.5% vs. 10% for the entire EU). **The percentage of persons aged 18-24 with low education and those who do not continue their education has been decreasing systematically in the recent years - in 2018, it amounted to 4.8%** (Chart 7), which is one of the lowest values in the EU. On the basis of the trend for years 2001-2017, the target should be achieved in 2020.

In terms of improvement of the education level, Poland has achieved very good results. **The most recent data available for year 2018 indicates that 45.7% of the population aged 30-34 have tertiary education** (Chart 7). Despite slowing down of the increase trend, the value of this indicator is higher than the target defined for year 2020. Worth noting is also very dynamic growth of this indicator, which amounted to 13% in year 2001.

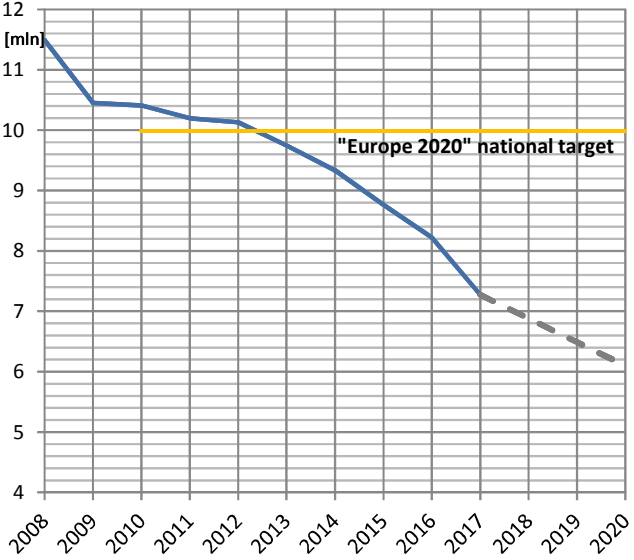
The fifth target of the Europe 2020” strategy is to reduce the number of persons at risk of poverty or social exclusion by at least 1.5 million in relation to year 2008. **This target was achieved in Poland as early as in 2013. The number decreased by 4.2 million from year 2008 until 2017.** Should the current trend be maintained, the value of reduction will exceed 5 million by year 2020 (Chart 8). In absolute numbers, in year 2017, the population at risk of poverty or social exclusion in Poland amounted to 7.27 million, which represents 19.5% of the society. Poland, inhabited by 7.4 percent of the population of the EU, participated in 21.1% in achievement of the target of the EU, aimed at reduction of poverty and social exclusion (4.281 million people among the 20 million in the entire EU until year 2020). This also means that the target defined in the Strategy for Responsible Development, being at least 20% until year 2020, has been achieved.

Chart 7. Early leavers from education and training (black) and persons aged 30-34 with tertiary education (blue), and forecasts based on the trend for years 2001-2018 (grey dotted line).



Source: Own compilation on the basis of Eurostat data.

Chart 8. Number of persons at risk of poverty or social exclusion and forecast of decrease based on the trend for years 2008-2017



Source: Own compilation on the basis of Eurostat data.

## 5.2 Employment target

### Zero PIT for employees until 26 years of age (Ministry of Finance)

In 2019, a solution will be adopted to assign a zero personal income tax (PIT) rate to persons under 26 years. This solution will apply to persons hired on the basis of contracts of employment. In this age group, income up to PLN 42 764 in the fiscal year will be exempt from tax.

This solution will have a positive impact on activity of young people, gaining their early professional experience (including those who simultaneously attend universities). For years, Poland has been characterized by low employment rates in comparison with the EU average (around 35% and around 42%, respectively)<sup>24</sup>. Higher disposable income for persons below 26 years of age may contribute to better economic stability, allowing this group to become independent faster, which is very important for this age group. This solution may also serve as an incentive to pursue a professional career in Poland, including return to the country from economic migration.

#### Schedule

- Adoption by the Council of Ministers of the draft of amendment of the act on personal income tax with regard to zero PIT rate for persons under 26 - **2nd quarter of 2019**.
- Entry into force of the act - **3rd quarter of 2019**.

#### Financial implications

Financial implications of this solution will emerge in year 2020 in the amount of PLN 1.7 billion (in 2019, there will be no financial implications, as according to the plan, the solution is to apply to income earned after 1 October 2019, but settlement of the solution will take place in the annual statement submitted in year 2020).

### Reduction of the tax wedge in personal income tax (Ministry of Finance)

The concept aimed at reduction of the tax wedge includes reduction of personal income tax for persons paying taxes on the basis of the tax scale. Introduction of a new, reduced tax rate at 17% will apply to a specific income group - at this stage, it is planned to establish the threshold of PLN 42 764. The proposal also includes increasing of tax deductible expenses for persons hired on the basis of contracts of employment.

The objective of these changes is to make contracts of employment more attractive, thus limiting precarious forms of employment. It will also lead to increasing of disposable income of those paying personal income tax, settling their liabilities on the basis of the tax scale (employees, old age and disability pensioners), which will result in increase of consumption. In the light of increasing of tax deductible expenses, it is also expected that the phenomenon of in-work poverty, which amounted to around 10% in 2017, will be also mitigated.

#### Schedule

- Adoption by the Council of Ministers of the draft of amendment of the act on personal income tax with regard to reduction of the tax wedge in personal income tax - **2nd quarter of 2019**.
- Entry into force of the act - **3rd quarter of 2019**.

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<sup>24</sup> Within group age 15-24, year 2017 data



## **Financial implications**

The estimated financial implications of reduction of the tax rate (within the scope specified above) and raising of tax-deductible costs (at the planned level) have been estimated to amount to PLN 8.7 billion in year 2020.

## **Restoration of local bus connections (Ministry of Infrastructure )**

In 2019, measures have been undertaken to restore local bus connections in areas, in which collective public transport has been available to a very limited extent (e.g. only during school days or during early afternoon hours). For inhabitants of small towns and villages, these limitations are a barrier, hindering access to the labour market (limitation of mobility), exposing them to the threat of social exclusion. The above phenomenon is associated with the fact that local governments find it difficult to provide public collective transport from their own limited funds, if commercial companies are not interested in rendering transport services due to the low expected rate of return.

Due to the fact that effective and proper functioning of collective transport is a public good, the local authorities will get additional financing to organise transport along non-profitable routes and during the so-called non-profitable hours. Moreover, commercial carriers will get the opportunity to apply for additional financing from the state budget for application of statutory discounts. This will make tickets with statutory discounts widely available for passengers, regardless of the carrier .

### **Schedule**

- Adapting of the draft act by the Council of Ministers - **2nd quarter of 2019.**
- Entry into force of the act - **2nd quarter of 2019.**

## **Financial implications**

The estimated financial implications of restoration of local bus connections for the state budget will amount to approximately PLN 800 million per year.

## **Development of the social economy sector (Ministry of Family, Labour and Social Policy)**

Measures in the field of social economy are aimed at supporting persons threatened by social exclusion by supporting their employment rates. This activity also contributes to reduction of poverty.

In 2019, governmental works on a draft of the act on social and solidarity economy are to be continued. The draft is to contain the basic definitions, most of all, with regard to the criteria determining the status of a social enterprise, its rights and obligations, definitions of solidarity and social economy, of the environment of solidarity and social economy, as well as rules of cooperation between the public administration and the social economy sector, including - in particular, social services of general interest, delivered by social economy entities, as well as performance of local development tasks. Moreover, the act is to determine the frames of activation and reintegration of persons threatened by social exclusion at social enterprises, as well as instruments to support employment and reintegration of such persons in these enterprises. The act will also provide solutions to strengthen the potential of social and solidarity economy entities, in particular, by providing them with access to support services and returnable financing of their activity and development. The adoption of the act will contribute to strengthen the idea of social and solidarity economy in the mainstream of the public policies and enable implementation of key legal and financial instruments.

In years 2019-2020, the process of granting accreditations to Social Economy Support Centres (OWES) will be continued. In the period from the 2nd quarter of 2019 until the 1st quarter of 2020, call for application for accreditation, announced in the 1st quarter of 2019, will be settled.

In year 2019, works aimed at preparation of the social economy sector monitoring system will be continued. On the basis of research and tool concepts developed in 2018, as well as results of pilot research, indicator cards will be prepared for the monitoring system, and works on the research card will be initiated.

Moreover, the project “System of participatory management of the sphere of social economy” will be continued. The aim of this undertaking is to establish a permanent, complex, participatory system of management of the sphere of social economy, ensuring coherence of public policies in this regard throughout the country.

The project implemented by Bank Gospodarstwa Krajowego “Implementation of a loan and guarantee instrument within the framework of the Polish Social Entrepreneurship Fund” will also be continued. The aim of the project is to ensure external financing for social economy entities, which encounter difficulties in obtaining commercial financing (e.g. bank loans) due to lack of the required sureties or credit history.

### Schedule

- Organization of the 3rd Nationwide Forum of Social and Solidarity Economy - **3rd quarter of 2019**.
- Development of a complex programme for popularization of social entrepreneurship among children and youth, including student cooperatives, along with its implementation tools - **4th quarter of 2019**.
- Announcement of another tender procedure for selection of financial intermediaries by BGK - **4th quarter of 2019 - 1st quarter of 2020**.
- Development of the research card for the system of monitoring of social and solidarity economy - **1st quarter of 2020**<sup>25</sup>

### Financial implications

Name of measure or part of measure	2019			2020		
	overall implications for the public finances sector (PLN)	including the state budget (PLN)	including the European funds budget (PLN)	overall implications for the public finances sector (PLN)	including the state budget (PLN)	including the European funds budget (PLN)
Integrated system for monitoring of the social economy sector	802,140	126,096	676,044	276,140	43,409	232,731
Development of a participatory system of management of the sphere of social economy	1,452,546	228,340	1,224,206	320,000	50,304	269,696
Implementation of the loan instrument of BGK	39,725 000	6,244,770	33,480,230	37,106,740	5,833 179	31,273 560
OWES accreditation process	1,900,000	298,680	1,601,320	1,900,000	298,680	1,601,320

<sup>25</sup> Adoption of the act on social and solidarity economy by the Council of Ministers will take place beyond the time frame of the current update of the NRP.

## Inclusion of the excluded - active instruments supporting the activity of persons with disabilities on the labour market (Ministry of Family, Labour and Social Policy)

The aim of the project is to prepare a complex proposal for implementation in the legal system of new and modified instruments to support professional activity of the persons with disabilities.

Solutions developed within the framework of this project will be aimed at supporting employment of the persons with disabilities on the open labour market. Three instruments are to be developed and implemented: the instrument for supporting employers with regard to adaptation for employment of the persons with disabilities, acquiring of employees with disabilities and maintaining them in employment through limitation of effects of their disability; the instrument to support the persons with disabilities in getting jobs, including the transition from social to vocational rehabilitation; the instrument to support the persons with disabilities in starting up their own business.

It is expected that the solutions developed will contribute to improvement of quality of action of public and non-public entities to support social and professional activity of the persons with disabilities.

### Schedule

- Analysis of legal solutions in the field of vocational rehabilitation of the persons with disabilities - **2nd quarter of 2019.**
- Proposal of potential modifications of the functioning instruments and proposing of new instruments within the framework of the system of vocational rehabilitation of the persons with disabilities - **3rd-4th quarter of 2019.**
- Sector consultations with regard to the proposed modifications, taking into account all of the stakeholders concerned – **4th quarter of 2019.**<sup>26</sup>

### Financial implications

Name of measure or part of measure	2019			2020		
	overall implications for the public finances sector (PLN)	including the state budget (PLN)	including the European funds budget (PLN)	overall implications for the public finances sector (PLN)	including the state budget (PLN)	including the European funds budget (PLN)
Inclusion of the excluded– active instruments supporting the activity of persons with disabilities on the labour market	2,860,000	449,590	2,410,410	20,280,000	3,188,016	17,091,984

## Toddler+ programme (Ministry of Family, Labour and Social Policy)

In year 2019, subsequent edition of the “TODDLER+” programme will be implemented. The program supports development of child care institutions for children aged up to 3 years by providing additional financing - on the basis of an open call for proposals - for initiatives consisting in creation by local governments and private entities of new places or maintaining of existing places in

<sup>26</sup> Conducting of a pilot implementation of modified and new instruments of the system of vocational rehabilitation of the persons with disabilities and the support mechanism, as well as its completion and preparation of a report will take place beyond the time frame of the current update of the NRP.

institutions providing care over children aged up to 3 years (nurseries, children's clubs, daycare providers). As in 2019 the programme received financing also from the Labour Fund and there is the possibility of preferential treatment in distribution of funds for poviats with an unemployment rate exceeding 150% of the national average, the program also supports measures that support development of the labour market.

As a result, it is expected that places in institutions taking care of the young children will become more accessible in terms of finances and proximity, which should enhance participation of the parents (particularly women, who most often are responsible for taking care of the young children) in the labour market.

The action follows Council Recommendation number 2 for Poland with regard to increasing labour market participation, including by improving access to childcare.

### Schedule

- Settlement of the programme "Toddler +" 2019, launching of funds for implementation of undertakings recognized as eligible and signing of agreements between voivodes and entities concerned for implementation and financing - **by 3rd quarter of 2019.**
- Development of the programme "Toddler +" 2020 and, possibly, announcing of the programme - **3rd - 4th quarter of 2019.**
- Presentation of the 2018 report on implementation of the act on care for children under the age of 3 to the Council of Ministers -- **3rd quarter of 2019.**

### Financial implications

The amount of PLN 450 million has been designated for implementation of the "Toddler+" programme in year 2019, including PLN 250 million from the state budget and PLN 200 million from the Labour Fund.

### 5.3 R&D investment target

A fragment of the Country Report. Poland 2019: Poland's innovation performance remains modest and is uneven across regions (p. 34). ... Weak cooperation between science and business is a drag on productivity and competitiveness (p. 34).

#### Establishment of the Łukasiewicz Research Network (Ministry of Science and Higher Education)

The aim of the draft act on the Łukasiewicz Research Network is to consolidate research institutes, which are of key importance for the state policy. Thanks to these changes, it will be possible to make the right use of their potential for commercialisation of research. The network is to provide technological and competence resources for Polish enterprises, mainly in the SME sector, for which the Łukasiewicz will offer the opportunity of effective implementation of research and development projects. Establishment of the network will allow to avoid work on the same or similar research issues by different institutes and facilitate coordination of research works, concentrating the available knowledge and resources in a single institution.

The Łukasiewicz centre (being a state-owned legal person, established to coordinate research and development) will develop the procedure of providing access to these specialist tools to external entities, such as scientific institutions and enterprises. The network will become an important instrument for implementation of the scientific and economic policy of the state and for achievement of objectives specified in strategic governmental documents, including the Strategy for Responsible Development.

The main tasks of the Łukasiewicz Research Network will be:

- independent implementation of research projects that are of high importance for the state economic policy,
- supporting of commercialisation of results of research and development works,
- coordination of implementation of such projects by institutes belonging to the Network,
- increased participation of research institutes in international research programmes,
- enhancing of cooperation, in particular with regard to technology transfer, with Polish entrepreneurs.

The action is also an implementation of recommendation 3 of the Council for Poland with regard to supporting closer cooperation between enterprises and research institutions.

#### Schedule

- Launching of the network - **2nd quarter of 2019.**

#### Financial implications

Functioning of the Network will result in increase of the state budget expenditures by PLN 25 million in year 2019 and PLN 17.5 million in year 2020.

## Virtual Research Institute (Ministry of Science and Higher Education)

A project aimed at development of the Polish Science Fund is one of the ways to solve the problem of low commercialisation of innovative ideas, which should be applied in production on competitive markets: domestic and foreign. The Fund is being created in line with the new mechanism for research financing in the R&D sector, that is, the virtual research institutes - ensuring stable public funding at the level making it possible to achieve specific results in the selected field of science in the period of 5 to 10 years. The Virtual Research Institute will constitute a form of organisation of work of selected research teams, competitive at the international level, conducting research activity characterised by high potential of its socio-economic applications, under the supervision of a leader having substantial research achievements, and the results of its works will be commercialised.

The Virtual Research Institute will group the best domestic research teams in individual areas. Each of the groups will be managed by a scientific leader, selected on the basis of an open contest, who will be responsible for forming of the team and conducting of the works. The institutes will thus concentrate not only substantial funds, but also significant human capital, dispersed among several centres around the country in the traditional system of financing science. The measures applied in the evaluation process will be revenues from commercialisation of work results of the research team, as well as the number of IP rights in relation to results of work of individual teams. The act on supporting of scientific activity from the Polish Science Fund will entry into force in the 2nd quarter of year 2019.

### Schedule

- Indication of the first area of scientific activity, in which a Virtual Research Institute will be financed and selection of the entity to manage the Virtual Research Institute - **2nd/ 3rd quarter of 2019.**
- Signing of an agreement between Ministry of Science and Higher Education and BGK and an agreement between Ministry of Science and Higher Education and the managing entity - **3rd / 4th quarter of 2019.**
- Commencement of financing of the first research teams - **4th quarter of 2019/ 1st quarter of 2020.**

### Financial implications

Financial means designated for operations of the Polish Science Fund will be provided within 30 days after entering into force of the act by reduction of the statutory fund of BGK by the amount of PLN 500 million and payment of this amount to support the Fund. For the period of the first 10 years, no further financing of the Fund from the state budget or the BGK apart from the amount of PLN 500 million, referred to above, is expected.

## Technological foresight of Polish economy until year 2040 (Ministry of Entrepreneurship and Technology)

The aim of this measure is to conduct an analysis of technological development of Polish economy until year 2040, identification of technological trends and technologies with the highest innovative and competitive potential in Poland by using the foresight methodology and designing of development scenarios for the Polish economy. The foresight analysis will be preceded by analysis of resources, activities and achievements of scientific organisations and enterprises in technology development and by analysis of technological trends.

This action is taken to update the knowledge on the existing technology potential of the Polish economy and identify global trends to be of key importance for shaping of socioeconomic reality in the world in the perspective of the next 20 years. The analysis will to identify early signals in terms of

technological development and needs of the Polish economy and design activities and instruments to prepare the country for future changes. Technological foresight of Polish economy will contribute to identification of the most competitive technological areas, which, over the long-term perspective, will exert impact on acceleration of socioeconomic development and will become the advantages of Polish economy in the perspective of year 2040. Results of the analysis will be also a basis for the verification and updating the list and descriptions of national smart specialisations.

#### **Schedule**

- Analysis of resources, activities and achievements of scientific institutions in Poland in terms of technology development - **2nd quarter of 2019.**
- Analysis of resources, activities and achievements of enterprises in Poland in terms of technology development - **2nd quarter of 2019.**
- Analysis of technological trends - **2nd quarter of 2019.**
- Technological foresight of Polish economy until year 2040 - **4th quarter of 2019.**

#### **Financial implications**

The action will require financial expenditures in the amount of PLN 2.5 million, in which European funds constitute more than PLN 2.11 million, and the state budget funds - PLN 382 thousand. The action is co-funded by the EU on the basis of a project selected under the restricted procedure number 2.4.2 of the Smart Growth Operational Programme, entitled Monitoring of National Smart Specialisation.

#### **Key National Clusters ( Ministry of Entrepreneurship and Technology)**

A competition for the status of a Key National Cluster is conducted to strengthen concentration of efforts and resources of the central administration on a specific group of Key National Clusters (KNC), identified through an open contest, understood as clusters that are of significance for national economy and high international competitiveness.

The system of selection of Key National Clusters consists of assessment of six areas of functioning of clusters: human and organisational resources, infrastructural and financial resources, economic potential of the cluster, knowledge development and transfer, action to support the public policies, customer orientation. The listed areas serve as a specific tool for assessment of cluster development, at the same time indicating the direction of development of Poland's cluster policy. The KKK status is associated not only with prestige, but also with new development opportunities thanks to programmes and contests for R&D projects and internationalisation within the framework of the Smart Growth Operational Programme.

#### **Schedule**

- Acceptance of applications in the Contest for Key National Cluster status - **2nd quarter of 2019.**
- Evaluation of applications in the Contest for Key National Cluster status - **2nd quarter of 2019.**
- Announcement of results in the Contest for Key National Cluster status - **3rd quarter of 2019.**

#### **Financial implications**

The cost of the undertaking is PLN 222 thousand. European funds constitute PLN 188.7 thousand, and the state budget funds amount to PLN 33.3 thousand. The action is co-financed by the Operational Programme Technical Assistance.

## Enhancement of protection of industrial property rights ( Ministry of Entrepreneurship and Technology/Patent Office of the Republic of Poland)

The action is aimed at encouraging entrepreneurs to more conscious and economically profitable use of their own and others' intellectual property rights. In terms of the required legislative changes, the draft act is being implemented through two legal acts amending the Intellectual Property Law Act. The first act - which came into force on 16 March 2019 - implements the provisions of European Union law and includes solutions that are aimed at improving competitiveness of the national system in proceedings before the Patent Office of the Republic of Poland in relation to the European Patent Office and the European Union Intellectual Property Office. On the other hand, the act amending the Intellectual Property Law Act (UD311) implements solutions aimed at adapting its provisions to EU and international standards. Another objective is to reduce the costs of proceedings to grant protection of intellectual property rights by strengthening competitiveness among professional representatives in such proceedings. The draft act is also aimed at raising awareness among the SMEs of the significance and value of their intellectual property rights and ensuring effective use of such rights in the enterprise development strategy.

Within the framework of the Electronic Service Platform project carried out by the Patent Office, UPRP has developed a conceptual design for the construction of a notification system on the expiry of the protection period of intellectual rights. The project assumes launching the eNotice system with the function of automatic transmission of notifications on the expiry of the protection period for trademarks.

### Schedule

- Adopting of the draft act (UD311) by the Council of Ministers - **2nd quarter of 2019.**
- Passing of the act by the Sejm and the Senate: - **2nd/3rd quarter of 2019.**
- Entry into force - **3 months after publication in the Journal of Laws.**

### Financial implications

Entry into force of the draft act on amendment of the Intellectual Property Law Act will result in PLN 1.87 million revenue loss in the 2019 state budget due to exemptions from periodic fees for patent protection, supplementary protection rights, protection rights for utility models, rights from registration of industrial designs and protection rights for trademarks. The exemption is aimed at supporting natural persons and micro, small and medium-sized enterprises starting their business activity. This implication is not a single-time event and it will occur also in the following years.

## Simple stock company (Ministry of Entrepreneurship and Technology)

The draft amendment of the Code of Commercial Companies and some other acts, adapted by the Council of Ministers on 5 February 2019, introduces a new type of a joint-stock company in our legal system - a simple stock company (PSA). The aim of this initiative is to facilitate operation of start-ups in Poland - that is, projects implemented most often in the field of new technologies, under the conditions of high market uncertainty, which are at the stage of searching for a repeatable and scalable business model. Such operations are usually characterized by a potential for very quick growth: thanks to a technological advantage or a market vacancy, which has not been discovered and occupied. Nevertheless, to take advantage of this potential, it is necessary to have access to proper human capital (e.g. developers and experienced specialists) and innovative solutions. Barriers that hinder development of start-ups include difficulties in commencement of business activity, acquisition of capital or liquidation of the undertaking in the case of failure, if the activity is conducted in one of the presently accepted forms of limited companies.



PSA is going to be a modern private company, adapted to the needs of modern economy. It is to combine limited liability of partners for liabilities of the company with high amount of flexibility, both in terms of shaping of relations between partners and of the management system of the company. This new company structure is to be characterized, on the one hand, by lack of excessive formalities associated with its establishment, and on the other hand, by a modern mechanism for protection of creditors of the company. However, the PSA is not addressed only to start-ups, but to all types of investors. PSA combines the advantages of other types of companies: limited liability, joint-stock companies and general partnerships.

The basic characteristics of a simple stock company are as follows:

- departure from share capital on behalf of company stock (minimal stake is 1 PLN)
- possibility of flexible shaping of the property structure of the company on the basis of stocks, which do not belong to equity of the company, and substantial freedom of withdrawals from company stock,
- a modern mechanism of creditor protection through prohibition of withdrawals on behalf of partners that would threaten solvency of the company and through a saving obligation,
- possibility of contributing work and services to the company (without complicated and costly valuations - at the stage of commencement of operations),
- electronic registration of the company in 24 hours (using a form),
- simplified functioning of PSA thanks to extensive use of electronic communication measures in the decision-making processes,
- substantial freedom in appointment of company authorities (the possibility of appointing a single-person management board or board of directors - without the obligation to appoint a board of supervisors),
- possibility of simple and uncomplicated liquidation of the PSA in the case of failure of the undertaking or its transformation into a different type of a joint-stock company.

#### **Schedule**

- Passing of the act by the Sejm and the Senate - **2nd quarter of 2019.**
- Entry into force - **1 March 2020.**

#### **Financial implications**

The solutions proposed in the draft should exert positive influence on establishment of companies and economic turnover, which should translate to increase in proceeds from tax, in particular, from corporate income tax, real estate tax and other local taxes and charges. As this form of activity (PSA) is not recognized in the legislation in force, there are difficulties associated with forecasting of impact of its introduction on the sector of public finances. Early estimates suggest that it may bring the effect of increasing proceeds from these taxes by about PLN 330 million over the period of 10 years. Preparation and amendment of its articles of association will not be subject to taxation with tax on civil law transactions. Therefore, it is estimated that selection of this form of activity by taxpayers will result in reduction of proceed of LGUs in the indicated period by about PLN 200 million.

#### **Frame 3: Development of the start-up ecosystem**

In June 2016, the biggest start-up programme in Central and Eastern Europe was launched, known as ***Start in Poland***, which supports young, innovative companies in Poland, throughout all stages of their development, from the incubation and acceleration stage, through the development stage up to international expansion. Among its numerous activities, the most significant progress so far has been made in the acceleration component, in which start-ups obtain financial support, substantive assistance, and are offered opportunities for cooperation and building relationship with large companies.

The already completed **Scale Up** action engaged **10 accelerators**, which cooperated with **66 large companies representing various sectors** (such as power engineering, fintech, food, health protection, automotive industry, machines and transport). 273 start-ups went through the acceleration process.

The noticeable success of the Scale Up motivated corporations to initiate their own cooperation with start-ups, which led to creation of many industry-specific accelerators financed by funds of enterprises. Thus the administration has paved the way for large companies, as well as start-ups. It has shown that the two worlds can be brought together successfully, eliminating market failure. Subsequent acceleration projects are now under way. The positive Scale Up effect has made it possible to launch activity with an increased budget. Within the framework of action 2.5 of the Smart Growth Operational Programme, 10 more accelerators have been selected to receive additional funds, and financing agreements have been signed for the amount of PLN 133 million.

**Electro Scale Up** is a programme aimed at supporting development of the electromobile trade, most of all, aiming at commercialisation of the project. The programme is to provide support for 30 start-ups offering solutions for the electromobile trade and to implement as many as 23 of these solutions in large or medium-sized enterprises. The available funds in this programme amount to PLN 10 million, and the maximum co-financing is PLN 550 thousand. By the end of 2019, agreements regarding the project are expected to be signed. The launch of the project for entrepreneurs is planned for the beginning of 2020.

**Poland Prize** is a programme aimed at encouraging innovative entrepreneurs to develop revolutionary products and services in Poland and to attract new companies and start-ups from outside the EU to Poland. Three acceleration rounds have been planned, which will take five months each. 8 selected start-ups are to be launched during each of these. The funds they will receive are to range from PLN 80 thousand to PLN 200 thousand. Financing can be used for legal and advisory services, product development, as well as salaries for persons involved in implementation of the project. The support of a supervisor has been provided to foreign participants to handle formalities, banking and settlement affairs .

A programme that has been profiled for the area of Eastern Poland are **StartUp Platforms**. It is a complex programme of support for people from the entire territory of Poland and abroad, who have come up with ideas for start-ups that they would like to establish and develop in Eastern Poland (lubelskie, podkarpackie, podlaskie, świętokrzyskie or warmińsko-mazurskie province). It is the only programme in Poland of this type, implemented on such a broad scale, to support newly established start-ups. The support granted is divided into two stages. Stage I is incubation - in other words, intensive work on development of the innovative concept with support of an experienced incubation manager, using an extensive package of specialist services adapted to the needs of the concept . Incubation programmes are offered through the so-called Start-up platforms, that is, partnerships for innovation centres, universities, venture capital funds and business representatives. Participation in such incubation programme is free of charge. Stage II consists of a grant for development of further activity, which can be obtained by the most innovative start-ups with the best business prospects, which have successfully completed the incubation stage. During the pilot stage of the Start-up platforms programme in years 2016-2017, more than 200 newly established start-ups have received support. On 2 January 2019, the next round of selection of innovative ideas to be supported by Start-up platforms was launched, to be completed in year 2022.

## Research and development measures in the field of nuclear technologies (Ministry of Energy)

Work is under way to conduct a reorganisation of four research institutes (the National Centre for Nuclear Research (NCBJ), the Institute of Nuclear Chemistry and Technology (IChTJ), the Central Laboratory for Radiological Protection (CLOR) and the Institute of Plasma Physics and Laser Microfusion (IFPiLM)), subordinate to the Ministry of Energy, to establish the **National Laboratory for Nuclear Energy (NLEJ)**, which, apart from research in the field of new nuclear technologies, is to become a strategic organisation supporting state institutions and an investor, engaged in implementation of the Polish Nuclear Energy Programme.

Arrangements within the department have been concluded to prepare a draft of the act on establishment of the National Laboratory for Nuclear Energy (NLEJ). After having received a negative opinion from the Strategic Analysis Centre (CAS), the Ministry of Energy will address the research institutes subject to the draft act to take a stance with regard to the opinion of the CAS. When the institutes concerned submit their opinions, the Ministry of Energy will make the decision on further proceedings with regard to the draft act.

Another activity to support research and development works will consist of establishment of the **Centre for Science and Industry (CNP)** at the National Centre for Nuclear Research (NCBJ), which is to be responsible for the **project of implementation of high-temperature gas cooled nuclear reactors (HTGR)**.

Negotiations have been conducted, involving the domestic business partners to participate in the HTGR project, as well as potential foreign Strategic Partners, with regard to the final mode of implementation of the project. The negotiations have led to: an agreement signed between the NCBJ and the University of Tokyo and an agreement with the National Centre for Research and Development for completion of the Gospostrateg I programme aimed at implementation of the HTR technology.

Reactors of this type will produce heat energy in form of high-temperature steam for industrial use e.g. in the chemical industry, which would substantially reduce Poland's demand for imported natural gas, at the same time reducing the level CO<sub>2</sub> emission. The first phase is to consist of development of a test reactor of capacity of 10-30 MW<sub>th</sub>, and the next phase - of development of a commercial reactor to be used in the chemical industry or to replace a standard energy generator. In the long-term perspective, the HTGR reactors can also be used for production of hydrogen for electromobility purposes. According to the analyses conducted, under favourable financial conditions, the price of steam generated by HTGR can be comparable with price of steam from gas boilers, achieving operational zero emission of CO<sub>2</sub>, which is a significant factor from the perspective of the climate policy. Implementation of the HTGR fits into the framework of development of innovative economy, based on advanced technologies, and the project has been included in the Strategy for Responsible Development and is treated as independent of the programme for construction of nuclear plants.

### Schedule

- Adoption by the Council of Ministers of a draft act on establishment of the National Laboratory for Nuclear Energy - **2nd quarter of 2019**.
- Establishment of the Centre for Science and Industry (CNP) at the NCBJ - **2nd quarter of year 2019**.
- Arrangement of cooperation with the foreign Strategic Partner and concluding of appropriate agreements – **2nd quarter of 2019**.
- Commencement of works on the project of the first test reactor (HTGR) – **2nd quarter of 2019**.

- Establishment of the National Laboratory for Nuclear Energy – **1st quarter of 2020.**

### **Financial implications**

According to the RIA for the draft act establishing the National Laboratory for Nuclear Energy, the difference between the planned expenditures associated with creation of the Laboratory (PLN 11.8 million per year) and the estimated budget savings resulting from the project implementation (PLN 12 million per year) will amount to PLN 0.2 million.

## 5.4 Energy & climate targets

### Administrative and systemic facilitations for producers of energy from renewable sources (Ministry of Energy)

The aim of this project is to conduct additional measures aimed at accomplishment of the goal of a 15% share of energy from renewable sources in overall gross energy consumption until year 2020.

The planned amendment of the act on renewable energy sources will allow for an auction for purchase of electricity from RES in year 2019. This will lead to increase in new production capacity, which, together with the existing RES installations, will make it possible to secure already in 2019 the targeted total annual production of 35,339 TWh - which, in the light of forecasted annual electricity consumption in 2020 of 183,730 TWh, results in the share of RES at the level of 19.23%, compared to the required electricity share of 19.1%. Contributing to further harmonisation of the legal environment and the RES market, the project gives a strong stimuli for RES development and leads to directing regulatory activity on fulfilment of national commitments with regard to RES.

This measure will become a significant component in achieving of the national target of Poland, namely, a 15% share of energy from renewable sources in overall gross energy consumption until year 2020, that is, in power generation, heating, cooling and transport.

The detailed issues solved by the amendment of the act include:

- 1) Providing details on certain parts of the act on RES and mechanisms of negative and positive balance settlement with the settlement operator. The expected effects include elimination of uncertainty on the part of entrepreneurs, participating in the auction system, as well as in the system of certificates of origin.
- 2) Strengthening the reliability of Polish certificates of origin and their recognition on the reciprocity rule, among others, with the European Union member states.
- 3) Adoption of a solution that will maintain the market value of certificates of origin at the level correlated with costs of power production in RES installations.
- 4) Adjustment of the level of the substitution fee, and, as a result, of the right of property rights for the future years, to the current macroeconomic conditions.
- 5) Precise setting of the date of first feeding of electricity in the grid within the framework of the support system, and thus precise specification of the RES payment in a given calendar year.
- 6) Elimination of the unnecessary procedure of admission to auctions of energy generating installations prior to the auction notice date due to the arising interpretation doubts with regard to identification of the group of entities approved for participation in the auction.
- 7) Extension of validity of connection agreements for the existing RES projects.
- 8) Enabling auctions in year 2019 by specifying the maximum quantity and value of electrical energy in the intermediate provisions.
- 9) Replacement of the obligation to obtain approval of photovoltaic micro installations with regard to their compliance with fire protection requirements from the State Fire Service bodies with the requirement to submit a circuit diagram for the installation, indicating location of the installation off switch.

Moreover, the Ministry of Energy is conducting works on additional solutions with regard to renewable energy sources, which refer, among other things, to the rules of use of energy from RES by local communities within the framework of power cooperatives. These solutions will allow for sustainable development of renewable energy sources by adapting them to local demand for energy, thus making it possible to improve the power supply in the rural areas. They include use of biomethane produced from agricultural biogas and its utilization for power production, as well as

development of solutions that would allow business entities to take advantage of support in line with the principles similar to those applicable to prosumers.

#### **Schedule**

- Adopting by the Council of Ministers of a draft act on amendment of the act on renewable energy sources and some other acts (UD 477) – **2nd quarter of 2019.**
- Conducting an auction in 2019 by the President of the Energy Regulatory Office for purchase of electricity from RES - within the time limit specified by the President of the URE – **2nd/3rd quarter of 2019.**

#### **Financial implications**

The planned expenditures on development of new RES production capacities do not impose a burden on the State Treasury, as these are to be covered with funds accumulated in the previous years on the accounts of the RES settlement operator, which are supplied by the RES payments. The planned amendment should not exert any impact on the public finances sector. The RES payments are financed by end users of electricity, and it is collected by distribution system operators.

#### **The Nuclear Power Program for Poland (Ministry of Energy)**

The multiannual Nuclear Power Program for Poland (PPEJ) specifies the scope and structure of organisation of activities necessary to implement nuclear power generation, ensure secure and effective utilisation of its facilities and safe handling of spent fuel. This will contribute to reduction of the emission level from the domestic electricity system.

The deadline for acceptance of the amendment of PPEJ, which, according to NRP 2018/2019 was supposed to take place in the 2nd quarter of year 2018, has been shifted due to extending political decision-making process. As a result, commencement of the tender procedure for selection of the supplier of this technology has also been moved to a later date. Amendment of the PPEJ has already been concluded, and the political decision of the Council of Ministers should take place in year 2019. Environmental and site tests have been continued in two potential nuclear plant locations (Żarnowiec and Lubiatowo-Kopalino). In NRP 2018/2019, their completion has been planned for the 1st quarter of year 2019, which will also be shifted.

By an order of 5 July 2018, the Minister of Energy appointed a Team for changes in preparation and implementation of the investment with regard to nuclear energy facilities and associated investment projects. The main task of the Team is to prepare an amendment to the special purpose nuclear act to accelerate the investment process associated with construction of the first nuclear power plant in Poland.

#### **Schedule**

- Submission of the amendment of the act on preparation and implementation of the investment with regard to nuclear energy facilities and associated investment projects for arrangements within the Council of Ministers and public consultations – **2nd quarter of 2019.**
- Adopting of the draft act on preparation and implementation the investment with regard to nuclear energy facilities and associated investment projects by the Council of Ministers – **2nd quarter of 2019.**
- Adopting of the amended PPEJ by the Council of Ministers – **3rd quarter of 2019.**
- Completion of environmental and site tests of the nuclear plant – **4th quarter of 2019.**
- Commencement of the 1st stage of the tender procedure for selection of the technology supplier – **3rd/4th quarter of 2019.**

## Financial implications

Expenditures from the state budget within the framework of the Nuclear Power Program for Poland in year 2019 will amount approximately to PLN 26.2 million, including: funds of the Ministry of Science and Higher Education in accordance with provisions of the act<sup>27</sup> - PLN 15 million and funds of the Ministry of Energy and the National Atomic Energy Agency (funds from the multiannual programme, costs of participation in international organisations, functioning of technical support organisations) - PLN 11.2 million. Environmental and site tests, as well as the tender procedure will be financed by own funds of PGE EJ1 company. The state budget expenditures within the framework of the Nuclear Power Program for Poland in year 2020 will amount to PLN 4.05 million.

## Promotion of energy audits and energy efficiency investments in small and medium-sized enterprises (Ministry of Energy)

Energy efficiency is and will remain one of the priorities of the Polish energy policy. In the recent years, Poland has recorded a high rate of progress - one of the highest in Europe - in the field of energy efficiency. The highest market share belonged to the industry sector, in which improved sector indicators were recorded, as well as favourable structural changes. Most of these improvements resulted from decisions based on economic reasons. Despite this progress, Poland still has some potential for energy savings; therefore, it is necessary to intensify action and promote the measures and programmes for improvement of energy efficiency across the entire economy.

The aim of the project is to commence action addressed to the sector of small and medium-sized enterprises to increase the level of awareness in the field of improvement of energy efficiency, in particular, promotion of energy audits of enterprises and investments in energy efficiency.

Activities in four areas have been defined within the framework of the project:

a) conducting of an audit to identify energy consumption by small and medium sized enterprises. These activities include: a telephone survey in 5000 enterprises, 100 energy audits and preparation of an analysis of energy consumption in small and medium-sized enterprises and calculation of the energy efficiency potential in the sector.

b) analysis of existing financial instruments/ incentives for small and medium sized enterprises. The activities include organisation of 5 domestic discussion tables, 1 international workshop illustrating the experience of other countries and development of a set of recommendations for the authorities with regard to the indicated financial instruments for SMEs to encourage them to finance undertakings that contribute to improvement of energy efficiency.

c) development of materials and tools addressed to small and medium sized enterprises and setting up of a dedicated website of the project, which will be placed as a tab in two portals, that is, gov.pl/energia and biznes.gov.pl. The activities include development of a checklist facilitating audits (the so-called self-check), development of a simple energy calculator, a database with the best examples of solutions implemented, as well as an e-learning course containing 5 modules and information brochures.

d) raising of awareness and promotion of the project and the project website containing the materials. The activities include 10 meetings to be held in Poland for the so-called self-learning groups, which will perform the energy audit, participation in events organised for the SMEs for the purpose of popularisation of the project.

## Schedule

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<sup>27</sup> Act of 30 April 2010 on the principles of financing of science (Journal of Laws of 2018 item 87).

- Designing of a website to promote activity aimed at improvement of energy efficiency - **2nd quarter of 2019.**
- Development of a simple energy savings calculator - **3rd quarter of 2019.**
- Preparation of an e-learning course on energy efficiency - **1st quarter of 2020.**
- Development of a survey, conducting of a telephone survey to identify energy consumption and conducting of energy audits in the selected SMEs - **1st quarter of 2020.**

#### **Financial implications**

The project has received support within the framework of the Structural Reform Support Programme. This support is equivalent to the amount of approximately EUR 400 thousand for years 2019-2020, and it is provided from the budget of the Structural Reform Support Programme (EU funds). The supplier of products within the framework of the project is the Polish National Energy Conservation Agency. The project generates no costs on the part of the state budget.



## 5.5 Educational targets

### Inclusive education (Ministry of National Education)

The objective of the project is to develop and implement legislative and organisational solutions, as well as implementation activities in the area of high-quality inclusive education. It is to enable raising of quality of education of students with special educational needs at all stages of education, in order to provide them with optimum skills before they enter the labour market.

The project includes more adequate preparation of teachers and assistance for everyday work in an educational environment diversified in terms of student needs. Thus, families of students with special educational needs will receive support for stimulate development of their children and getting them ready for adult life. Inclusive education will also bring emotional benefits, making it possible to strengthen family ties, as well as economic benefits, associated with reduction of costs associated with transport of children and adolescents to educational institutions.

The programme should result in a change of social attitudes towards disability, contributing to greater social integration.

#### Schedule

- Completion of conceptual works on assumptions of changes to be introduced - **2nd quarter of 2019.**
- Commencement of implementation activity, which does not require amendment of legal provisions (preparation of teachers, development of educational materials for students, development of methodological materials)- **2nd quarter of 2019.**
- Development of the terms of reference of legislative amendments - **3rd quarter of 2019<sup>28</sup>**
- Development of educational materials and methodological materials for the training and consulting model - **starting from the 3rd quarter of 2019.**

#### Financial implications

Name of measure or part of measure	2019			2020		
	overall implications for the public finances sector (PLN)	including the state budget (PLN)	including the European funds budget (PLN)	overall implications for the public finances sector (PLN)	including the state budget (PLN)	including the European funds budget (PLN)
Development of terms of reference for education of students with special educational needs and implementation tasks	113,000	113,000		30,000	30,000	
Project beyond the scope of competition: <i>Development of instruments for psychological and pedagogical diagnosis</i>	714,293	112,287	602,007	470,981	74,038	396,943
Project beyond the scope of competition:	1,166,648	183,397	983,251	1,405,051	220,874	1,184,177

<sup>28</sup> Planned social consultations with regard to terms of reference for legislative amendments to the legislation go beyond the time frame of the current update of the NPR.

<i>Students with special needs - development of the training and consulting model</i>						
Projects included in the competition: <i>Development and popularisation of diagnostic tools to facilitate psychological and pedagogical assistance</i>	10,484,798	1,648,210	8,836,588	14,105,450	2,217,377	11,888,074
Project "Development of a model of functioning of Specialist Support Centres for Inclusive Education (SCWEW)"	193,369	30,397	162,971	1,428,277	224,525	1,203 752
Social consultations and pre-consultations (consultation workshops and meetings)	30,000	30,000		50,000	50,000	

### Integrated Skills Strategy (Ministry of National Education)

Works will be continued on the detailed part of the Integrated Skills Strategy (ISS). The general part of the Strategy - establishing the main priorities and directions of action - has been adopted by the Council of Ministers on 25 January 2019. The detailed part of the Strategy will include a broadened diagnosis, a catalogue of tasks undertaken and planned, as well as an extended description of implementation mechanisms, and it will be based on a report prepared for Poland by the OECD. The OECD report is to contain recommendations adapted to the specific characteristics of the country, aimed at improvement of the Polish skills development system in four priority areas: fostering greater participation in adult learning of all forms, reducing skills imbalances on the labour market through improving the responsiveness of the education and training system, strengthening skills use in the labour market and in the workplaces, strengthening governance of the skills system. Completion of works on the OECD report for Skills Strategy has been planned for the end of year 2019.

The action also follows the Council recommendation 2 for Poland with regard to fostering labour market relevant skills, especially through adult learning..

#### Schedule

- Delivery of the project Skills Strategy outline by the OECD and the 3rd mission of the OECD - workshops, focus groups, bilateral meetings with stakeholders - **2nd quarter of 2019.**
- Review and remarks to the Skills Strategy project - **3rd quarter of 2019.**
- Presentation of the draft diagnostic report by the OECD within the framework of the 4th mission - **4th quarter of 2019.**
- Review of the draft and approval of the final version of *OECD Skills Strategy Diagnostic Report: Poland* – **4th quarter of 2019.**

#### Financial implications

Implementation of the project will result in increase of expenditures of the public finances sector by PLN 199 thousand in year 2019.

### **“School for innovators” (Ministry of Entrepreneurship and Technology/Ministry of National Education)**

The pilot programme entitled "School for innovators" is to be implemented within the framework of the strategic SOR project under the same title. It consists of preparation of a complex system for training of innovators (including a review and, possibly, complementing of the curriculum to support development of pro-innovative competences of students, designing of methods and tools for development of competences of this kind, supporting teachers in selection and application of teaching methods that develop pro-innovative competences of students) and strengthening of resources functioning within the framework of this system (education and development of teachers). Pilot activities include implementation of a new system for development of pro-innovative competences in selected primary schools and preparation of recommendations for shaping of competences of this kind, which could be applied at the national level.

#### **Schedule**

- Launching of the competition for selection of the grant project operator - **2nd quarter of 2019.**<sup>29</sup>

#### **Financial implications**

Allocation for the pilot programme is PLN 10 million.

### **Teaching excellence initiative (Ministry of Science and Higher Education)**

On 22 January 2019, on the basis of art. 400 section 1 of the act of 20 July 2018 - Law on higher education and science, a communication of the Minister was announced within the framework of the project known as the Teaching Excellence Initiative. The project is aimed at supporting public vocational colleges in improving quality of education. The foreseeable effect of this project will be improvement of quality of the practical education profile at public vocational colleges, better matching of education with the needs of the labour market and strengthening of cooperation between universities and the business sector. In 2018, within the framework of the pilot programme, fourteen public vocational colleges received funds in form of special purpose grants in the amount of PLN 1 million for completion by 30 June 2019 of a task ordered by the Minister of Science and Higher Education - "Support for development of the practical education profile at public vocational colleges". The communication of the Minister specifies the prerequisites to be met by colleges to obtain the funds, including:

- a) assessment of education quality, issued by the Polish Accreditation Committee in the period of 6 years preceding the communication,
- b) results of monitoring of graduate careers, maintained by the Minister on the basis of art. 352 section 1 of the act - Law on higher education and science,
- c) the amount of funds to be granted to colleges selected within the framework of the programme in a given year.

The action also follows the Council recommendation 2 for Poland with regard to development of skills that are useful on the labour market, particularly by supporting adult learning.

<sup>29</sup> Launching of pilot activities at selected schools will take place beyond the time frame of the current update of the NRP.

## Schedule

- Commencement by public vocational colleges of implementation of the project on the basis of an agreement with the Ministry of Science and Higher Education - **2nd quarter of 2019.**

## Financial implications

The state funds designated for objectives of the programme amount to PLN 15 million for year 2019 and PLN 15 million for year 2020.

A fragment of the Country Report. Poland 2019: *Science-business links continue to be underdeveloped* (p. 34).

## Industrial doctorate (Ministry of Science and Higher Education)

The aim of this programme is to create favourable conditions for development of cooperation between the world of science and the socio-economic community within the framework of doctoral studies and to introduce the possibility of educating doctoral students in cooperation with entrepreneurs (or other entities) hiring them. Industrial doctorates, conducted in a dual system, constitute a very important stage in building a transfer between science and business. A graduate student (focused on solving of a specific technological problem) will implement the research project in two sites - at the enterprise and at the scientific institution (university, research institute). Every student will also have two tutors - one of them recommended by the employer, and the other - coming from the research entity. Apart from remuneration based on full-time employment at the enterprise, the doctoral student will also receive a scholarship from the Ministry of Science and Higher Education. It will be equivalent to the minimum basic salary of an assistant at a public university, that is, PLN 2450. This mode of completion of doctoral studies will contribute to development of contacts between scientific institutions and their socio-economic environment, intensification of research having a commercial potential, at the same time making it possible for young scientists to gather experience in the field of R&D.

In the 1st and 2nd edition of the programme, there are about 800 doctoral students in approximately 130 institutions (1st edition - about 50 institutions and about 340 participants, 2nd edition - about 70 institutions and about 460 participants). It is estimated that in the 3rd edition of the programme, the number of entities and the number of candidates proposed will be comparable to that in the 2nd edition.

## Schedule

- Completion of the formal and substantive procedure and issue of administrative decisions for entities, which have obtained funds for science for the purpose of financing of scholarships and research infrastructure for the purpose of conducting of the research project - **3rd quarter of 2019.**
- Submission by entities, which have obtained a decision granting them funds in the 3rd edition of the programme “Industrial doctorate”, of detailed information necessary for transfer of funds- **3rd quarter of 2019.**
- The formal and substantive procedure for detailed information necessary for transfer of funds in the 3rd edition of the programme and signing of contracts with entities - **4th quarter of 2019.**
- Completion of the formal and substantive procedure associated with information submitted by entities, necessary to transfer funds, and information contained in the annual report - **1st quarter of 2020.**

## Financial implications

The state budget funds designated for the programme in year 2019 amount to PLN 47.5 million, and in year 2020 - PLN 68.7 million.

## Integrated University Programmes (Ministry of Science and Higher Education)

In year 2019, projects will be implemented as selected on the basis of OP KED competitions to support universities in implementation of systemic changes, introduced by the reform of higher education. The previous two editions of the competitions (in years 2017 and 2018), entitled Integrated University Programmes, encompassed three paths for development of projects, differentiated, among other things, on the basis of the criterion for parametric assessment and the number of students of a given university.

In 2019, decisions will be made and projects will be launched within the framework of the Integrated University Programmes for Regional Development competition, announced in May of 2018. Thanks to these programmes, universities will be able to allocate funds to improvement of various spheres of activity - starting from development of vocational skills and soft competences of students, through internationalisation of the education process, improvement of quality and effectiveness of doctoral studies thanks to development of new programmes, to institutional support for the university and its staff.

The Integrated University Programmes will include:

- adaptation and implementation of education programmes in accordance with socioeconomic needs on the domestic and regional level, aimed at providing students with more practical skills;
- support for practical profile studies, developing practical vocational skills and soft competences of students thanks to such tools as internship programmes linked to the curriculum;
- implementation of study programmes in foreign languages, addressed to Polish and foreign students;
- inclusion of lecturers from abroad, who have achievements in scientific, professional or artistic activity, introduction of educational programmes at Polish universities;
- improvement of competences of higher education participants in areas that are of key significance for the national economy and development;
- high-quality internship programmes for students;
- supporting of high quality services rendered by units within the university structures (e.g. academic career offices), helping students in commencement of their professional activity on the labour market;
- supporting of use of labour market information (results of the university's monitoring of professional careers of graduates, employment forecasts, research among employers in the region) to develop education tailored to the socio-economic needs of the region;
- development and implementation of high-quality programmes of doctoral studies or doctoral schools, which are of key importance for the economy and the society, supporting innovativeness in the country and ensuring the possibility of transfer/commercialisation of results of doctoral studies.

## Schedule

- Implementation of projects as a part of the OP KED - **starting from 2nd quarter of 2019.**<sup>30</sup>

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<sup>30</sup> Implementation of projects as a part of the OP KED will take from 18 to 24 months, it means beyond the time frame of the current NRP update.,

## Financial implications

Name of measure or part of measure	2019			2020		
	overall implications for the public finances sector (PLN)	including the state budget (PLN)	including the European funds budget (PLN)	overall implications for the public finances sector (PLN)	including the state budget (PLN)	including the European funds budget (PLN)
Integrated University Programme	347 million	45.51 million	301.49 million	705 million	92.45 million	612.55 million

The financing presented encompasses two editions of the Integrated University Programme competition and the Integrated University Programme for Regional Development competition.

## 5.6 Poverty and social exclusion target

### “Family 500+” programme for all children (Ministry of Family, Labour and Social Policy)

The core concept of the “Family 500+” programme is to provide financial support for families in form of a child-support benefit in the amount of PLN 500 per month per child. In 2019, the Programme will be amended by including within its scope also the first or only child in the household aged to 18, regardless of the income (at present, the right to a child-support benefit for the first child, that is, the only or eldest child in the family up to 18 years of age, is conditioned by the criterion of income, amounting to net PLN 800 per month per person in the family, or net PLN 1200 per person in the family, if there is a child with disabilities in the family).

Broadening of the scope of the child-support benefit will enhance support for families raising children, by enabling them to partially cover their expenses associated with satisfaction of life needs and upbringing of their children. It is a substantial financial burden upon carers to educate their children and prepare them for adult life; however, it is particularly visible in families with many children. The envisaged extension of the Programme will thus make it possible to reduce the economic limitations, particularly among young people, planning to have children.

#### Schedule

- Adopting of the amendment of the act on state assistance in bringing up children (establishing the "Family 500+" Programme by the Council of Minister - **2nd quarter of 2019**).
- Entry into force of the act on state assistance in bringing up children (establishing the “Family 500+” Programme) - **3rd quarter of 2019**.
- Commencement of collection of applications for the child-care benefits, including benefit for the first child without the income criterion and commencement of payments of child-care benefits for the first child - **3rd quarter of 2019**.

#### Financial implications

The estimated financial implications for the state budget of extension of the “Family 500+” Programme amount to approximately PLN 9.6 billion in year 2019 and around PLN 19.9 billion in year 2020.

### Pension Plus Programme (Ministry of Family, Labour and Social Policy)

The Pension Plus Programme will be adopted in year 2019. Additional benefits are scheduled to be paid to all old age and disability pensioners in May 2019, in the amount of the minimum retirement benefit, which since 1 March 2019 has been fixed at the level of PLN 1100. The proposed solution applies to all old-age and disability pensioners. Also recipients of pensions and disability pensions from social security system of farmers, uniformed services, war and military veterans as well as recipients of pre-retirement benefits, bridging pensions, and teacher’s compensation benefits will receive additional benefit. In total more than 9.7 million people (including around 6.9 million old age pensioners and 2.6 million pensioners with disabilities) will become benefactors of “Pension Plus” programme.

One of the targets of introduction of “Pension Plus” benefit is tackling income inequalities within the society. Payment of this benefit is predicted to positively affect the relative increase in consumption, which was a driving force behind economic growth in 2018. In the context of the economic slowdown expected in the budget act for year 2019 “Pension Plus” programme may continue to stimulate economic growth in a positive manner.

#### Schedule

- Payment of the additional benefit for old age and retirement pensioners - **2nd quarter of 2019.**

### **Financial implications**

The estimated balance for the public finances sector of payment of the single-time benefit for old age and pensioners with disabilities is around PLN 8.7 billion (assuming that expenditures reach the level of PLN 10.8 billion, and income - the level of approximately PLN 2 billion).

### **Modern tools supporting the activity of persons with disabilities - Accessibility Plus (Ministry of Investment and Economic Development)**

In year 2018, measures were initiated in Poland to establish the systemic framework for accessibility, and to achieve real improvement of accessibility in various spheres. These measures covered, among other things, the adoption by the Council of Ministers of the governmental programme Accessibility Plus on 17 July 2018.

In the presented draft act on ensuring accessibility for persons with special needs, it was assumed that accessibility should be a horizontal component of the public policies, and thus - an obligation of public institutions. As a result, the draft contains solutions aimed at ensuring accessibility of public space for the persons with disabilities by making it possible for them to participate in social life on equal footing with others. For this purpose, the act specifies the obligations of public entities with regard to ensuring of accessibility. This obligation means that in their planned and conducted activity, public entities take into account the needs of the persons with disabilities, in particular, by removing barriers hindering access to facilities, information and services and prevent their emergence. The act also contains solutions pertaining to the system of coordination, appointment of an advisory and consultation body - the Accessibility Board, as well as rights of citizens with regard to accessibility (the option of submission to a public entity of an application for ensuring accessibility, and if accessibility is not provided - a complaint for failure to ensure accessibility).

Measures associated with launching competitions aimed at improving accessibility of various public institutions, including schools, universities and public health care institutions (programmes: 'Accessibility Plus for Health', 'Accessible University', 'Accessible School Space') are continued. Moreover, an Accessibility Incubator competition has been announced, for the development of approximately 100 social innovations, aimed at improvement of quality of life of persons with disabilities and the elderly suffering from limited mobility or perception. Initiatives will also be supported outside these competitions, making it possible for the persons with disabilities to acquire specific skills (granting the right to drive vehicles at the National Centre of Mobility of Persons with Disabilities) or development of training rules for guiding dog trainers and making these available to the blind, as well as training of 48 dogs (the Dog-assistant project).

These competitions and projects are implemented within the framework of the Operational Programme Knowledge Education Development 2014-2020 (Action 4.1 Social innovations, Action 5.2 Pro-quality activities and organisational solutions in the health care system facilitating access to cheap, durable health care services of high quality).

### **Schedule**

- Adoption of the draft act on ensuring accessibility for persons with special needs by the Council of Ministers - **3rd quarter of 2019.**
- Entry into force of the act - **3rd quarter of 2019.**

### **Financial implications**

In total, PLN 700 million has been designated for accessibility competitions, including PLN 300 million for the programme "Accessibility Plus for Health" (PLN 300 million is the target value; at present, the



amount of PLN 150 million has been designated to execution of contracts), PLN 200 million for the "Accessible university" programme, PLN 100 million for the "Accessible School Space" programme and PLN 10 million for the "Accessibility Incubator" programme.

### **'Active Disabled' - tools supporting independence of the persons with disabilities (Ministry of Family, Labour and Social Policy)**

The aim of the project is to prepare a complex proposal for implementation in the legal system of modifications and new instruments in the area of social rehabilitation of the persons with disabilities, ensuring their independent functioning in the society as much as possible, including raising of quality and effectiveness of activities implemented by activity-based therapy workshops and development, testing, implementation and popularisation of the standard of assistant services rendered on behalf of the persons with disabilities.

The main tasks to be completed include:

- an analysis of statutory solutions on social rehabilitation of the persons with disabilities (taking into consideration activity-based therapy workshops) - milestone 1;
- proposing of modifications and new instruments of the system for social rehabilitation of the persons with disabilities, making it as much as possible for them to function on their own in the society, including development of standards of functioning of the activity-based therapy and the standard of assistant services rendered on behalf of the persons with disabilities, which will then be tested - milestone 2 and 3;
- conducting of a pilot programme of utilisation of modified and new instruments to assess the rationale behind their implementation and to develop their optimum shape. The pilot tests will encompass entities responsible for implementation of solutions and beneficiaries - milestone 4;
- development of new instruments and modification of existing instruments for support of the persons with disabilities with regard to social rehabilitation in form of draft legal acts or with regard to the standard of assistant services (document draft) - milestone 5, 6, 7 - the planned implementation in year 2021.

Within the framework of the project, legislative changes are to be proposed to take into account the issues of public assistance, indicating the sources of financing, specifying precisely the recipients of instruments and the mode of implementation of these instruments and conditions associated with such implementation.

The project will be implemented within the framework of Action 2.6 High quality of policy for social and occupational inclusion of the persons with disabilities of the Operational Programme Knowledge Education Development 2014-2020.

#### **Schedule**

- Analysis of the existing legal instruments - milestone 1 - **2nd quarter of 2019.**
- Presentation of proposed legislation changes - milestone 2 - **4th quarter of 2019.**
- Environmental consultations of the changes developed - milestone 3 - **4th quarter of 2019 (within 2 months from completion of the 2nd milestone).**
- Pilot tests of modified and new solutions for the purpose of assessment of the rationale behind their implementation and development of their optimum shape - milestone 4 - 1st quarter of year 2020 (full implementation to take place beyond the time frame of the current update of the NRP).

- Development of draft legal acts on modification/ new instruments to support the persons with disabilities with regard to their social rehabilitation of the standard of assistant services (draft of document) milestones 5-7 - the implementation will take place beyond the time frame of the current update of NRP.

### Financial implications

Name of measure or part of measure	2019			2020		
	overall implications for the public finances sector (PLN)	including the state budget (PLN)	including the European funds budget (PLN)	overall implications for the public finances sector (PLN)	including the state budget (PLN)	including the European funds budget (PLN)
<i>Active Disabled - tools supporting independence of the persons with disabilities</i>	3,988,160	626,938.76	3,361,221.24	26,648,160	4,189,090.75	22,459,069.20

## 6. Measures towards the implementation of the 2018 Country Specific Recommendations

### The content of 2018 country-specific recommendations for Poland

In 2018, Poland received 3 country-specific recommendations (CSRs).

The first recommendation pertains to the sphere of public finances, and therefore information concerning activities aimed for the purpose of its implementation can be found in the “Convergence Programme. Update 2019”.

The content of the second recommendation is very similar to a recommendation issued in the previous year. It consists of two basic parts, where the first pertains to the labour market: *Take steps to increase labour market participation, including by improving access to childcare and by fostering labour market relevant skills, especially through adult learning, and remove remaining obstacles to more permanent types of employment.* The second part of the recommendation is identical with the one from the previous year and states as follows: *Ensure the sustainability and adequacy of the pension system by taking measures to increase the effective retirement age and by reforming the preferential pension schemes.*

The third recommendation is new, it pertains to the innovation policy, and it states as follows: *Strengthen the innovative capacity of the economy, including by supporting closer collaboration between business and research institutions.* The second part of this recommendation refers to improvement of economic regulations and of the process of developing legislation: *Improve the regulatory environment, in particular by ensuring effective public and social consultations in the legislative process..*

### Activities aimed at implementation of 2018 CSRs

Detailed information on activities taken and planned to follow individual recommendations can be found in [Table 1](#). Presented below are key components in this regard.

**CSR 2 part 1:** *Take steps to increase labour market participation, including by improving access to childcare and by fostering labour market relevant skills, especially through adult learning, and remove remaining obstacles to more permanent types of employment.*

Activities for improvement of conditions to increase participation in the labour market, including facilitation of reconciling professional career and family life and higher level of professional activity of women, pertain, among other things, to the system of care over small children. The Ministry of Family, Labour and Social Policy has launched yet another edition of the annual “Toddler+” programme, which is aimed at supporting development of child care institutions for children aged three or less, that is, nursery, children’s clubs and daycare providers. On 28 November 2018, a competition was launched in the Programme “Toddler+” for year 2019, designating PLN 450 million for this objective. More detailed [information on the current edition of the programme can be found in chapter 5.2](#).

In the context of development of skills that are useful on the labour market, the Act on education has been amended. The amendment is aimed at restoration of prestige of vocational education in Poland through improvement of quality and effectiveness of education at schools and other institutions. The Ministry of National Education is currently working on the Integrated Skills Strategy. On 29 January 2019, the Council of Ministers adopted the general part of the Integrated Skills Strategy. At the same time, work is in progress on the detailed part ([detailed information on the subject can be found in chapter 5.2](#)). During the diagnostic phase, the OECD will conduct an analysis and assessment of the

Polish skill system. The pilot phase of the project associated with development of **Local Centres for Knowledge and Education** has been completed. The solutions developed during the pilot phase will be used during the subsequent stages of the programme.

On 1 October 2018, the **Law on higher education and science** came into force, which, in order to enhance practical training, adapted to the socioeconomic needs and enabling effective development of occupational skills and social competences of students, introduced, among other things, two educational paths in practical profile specialisations, that is, a compulsory vocational training for 6 months or education in form of dual studies, engaging employers. Within the framework of measure undertaken to ensure complex support in implementation of these changes, another competition has been concluded within the framework of the **Integrated University Programmes**. Subsequent competitions are to be finalised in April of 2018.

**CSR 2 part 2:** *Ensure the sustainability and adequacy of the pension system by taking measures to increase the effective retirement age and by reforming the preferential pension schemes.*

At present, no works are in progress to withdraw from special pension schemes for selected professional groups. The act on **Employee Capital Plans** came into force on 1 January 2019. It provides for voluntary payments to be made by the employer and the employee (in the assumed proportion of the employee's remuneration), while an additional transfer is to be ensured from the state budget. The Employee Capital Plans can serve as an additional form of capital security in the period after the end of professional activity by increasing the level of private savings. [Detailed information on the Employee Capital Plans has been presented in chapter 4.1 \(Key activities supporting increase in investment rate\).](#)

**CSR 3 part 1:** *Strengthen the innovative capacity of the economy, including by supporting closer collaboration between business and research institutions.*

Within the framework of development of innovation capacity of the economy, a tax relief came into force on 1 January 2019 - the so-called **Innovation box**. Entrepreneurs being personal income tax or corporate income tax payers, obtaining income from some intellectual property rights from their own research and development activity, will be able to apply a 5% tax rate to this income.

Within the framework of measure aimed at strengthening the innovation capacity of the economy, an act came into force on 1 April 2019, creating the **Łukasiewicz Research Network**, established to extend cooperation between research institutes and to coordinate their activity. The Council of Ministers has adopted the draft act to establish the **Virtual Research Institute**. It is supposed to be an innovative form of cooperation of selected research teams - competitive at the international level - engaged in scientific activity in various areas, but focused on commercialisation. With regard to enhancing of innovation capacity of the economy, the **Industry of the Future Platform Foundation** has been established for the purpose of offering non-financial support for entrepreneurs (through training, consulting) in the digital transformation towards Industry 4.0 and enhancing their competitiveness. [Detailed information on these activities has been presented in chapters 5.3 and 5.5.](#)

**CSR 3 part 2:** *Improve the regulatory environment, in particular by ensuring effective public and social consultations in the legislative process..*

With regard to the broadly understood regulatory environment, already in the previous year, activities were implemented within the framework of the adopted so-called **package for SMEs**, which introduces a number of simplifications in the taxation and economic law, and an act on digitalisation and shorter time of storage of employee files. Moreover, activities are to be concluded to simplify the functioning of economic entities (in particular, those with high development potential) through

establishment of the **Simple Stock Company**. The capacity of the economic flow is also influenced by development of e-services, including e-administration. [Detailed information has been provided in chapter 4.2.](#)

In order to ensure the proper course of social and public consultations, on 22 January 2019, an amendment was introduced to the Regulations for works of the Council of Ministers, making it possible for the Chairman of the Permanent Committee of the Council of Ministers to **reject a project due to lack of public consultations or their inappropriate completion**. Moreover, a **Strategic Analysis Centre** was established, which is able to suspend drafts of legal acts, if the Regulatory Impact Assessment has not been conducted properly. Within the framework of the Structural Reform Support Programme, **a draft recommendation on improvement of the system of Regulatory Impact Assessment (RIA)** has been prepared, as well as draft guidelines for estimation of regulatory benefits, as well as a template of the Standard Cost Model along with a database of estimated standard costs of administrative tasks performed by entrepreneurs.

**Table 2: Implementation of CSR 2018 to date**

*Description of activities undertaken between June of 2018 and April of 2019 and qualitative information on their impact*

		Information on activities planned and already undertaken					Expected impact	
CSR	CSR sub-category	Action number	Description of main measure directly linked to CSR		Targets of the Europe 2020 strategy	Challenges/ risks	Impact on the budget	Qualitative/ quantitative assessment
			The main objectives of measures being implemented and their significance for CSR	Description of measures undertaken (VI 2018 –IV 2019)	Assessment of impact on targets of the Europe 2020 strategy	Challenges/ risks associated with measures undertaken	Overall and annual changes in state revenues/ expenditures (PLN million) Share of EU funds (source and value)	Qualitative description of expected effects of measures undertaken and their time limits
CSR 2	<i>Take steps to increase labour market participation, including by improving access to childcare...</i>	1	Increasing of accessibility of institutions that provide care over young children.	In 2018, an edition of the “Toddler+” 2018 Programme was implemented, which is aimed at supporting development of institutions providing care over children up to 3 years of age - nursery, children’s clubs and day care providers. In this edition, a special module 1a was provided, dedicated to local government units, creating institutions to provide care over children up to 3 years of age in communes, in which no nursery or children’s clubs were available at the time of submission of the competition offer. Such local government units were able to receive a warranty of additional financing at the demand level reported, provided that the share of funding in completion of the task could not exceed 80% of the project costs value.  On 28 November 2018, a competition was launched in the Programme “Toddler+” for year 2019.	The action will lead to increasing of the level of employment among parents taking care of children (mostly women).	Despite additional funding, private entities may not be able to create or, at a later stage, maintain day-care places, which may result in a lower number of the day-care places created.	For implementation of the “Toddler+” 2018 Programme, around PLN 238.8 million has been provided from the state budget and approximately PLN 11 million from the Labour Fund (the final data will be available after the reports have been submitted by provincial governors, that is, in May 2019). For the 2019 edition of “Toddler +”, the amount of PLN 450 million has been allocated (in the special purpose reserve - PLN 250 million, in the financial plan of the Labour Fund - PLN 200 million).	As a result of “Toddler+” 2018, Programme, around 23.1 thousand day-care places have been established (the final data will be available after the reports have been submitted by voivodies, that is, in May 2019). Within the framework of module 1a, financing was provided for creation of 2591 day-care places in 109 institutions located in 102 communes. Information on the day-care places created will be available after the reports have been submitted by voivodies, that is, in May 2019
CSR 2	<i>Take steps to increase labour market participation, including by fostering labour market relevant skills, especially through adult learning...</i>	2	Improvement of quality of vocational education.	The act on amendment of the act on Education law, the act on the educational system and some other legal acts, which will come into force on 1 September 2019 (except for some provisions, which will come to force on other dates) is aimed at restoring prestige of vocational education in Poland by improving quality and effectiveness of education in schools and other institutions. In accordance with the approved solutions, the local governments	This action will enhance the level and quality of employment.	Popularisation of opportunities and benefits of cooperation with vocational schools among employers.	The cost for the public finances sector (the state budget, the local government units) in the period of 10 years from entering into force of the act will amount to the total of PLN 839.6 million.	Amendment of the act will contribute to greater impact of employers on functioning of vocational training and increase in the number of students learning professions that are demanded on the labour market.

				will receive a higher subsidy for education for students of vocational schools, learning professions that are characterised by higher demand on the labour market (indicated in the forecast of demand for employees in trade schooling occupations). Moreover, students of trade schools of the 1st degree (other than minor employees) and students of technical schools will be able - on the basis of contracts with employers - engage in student traineeships.				
CSR 2	<i>Take steps to increase labour market participation, including by fostering labour market relevant skills, especially through adult learning...</i>	3	Enhancing of the level of human capital in Poland (through an increase in the number of students and quality of education) and improved alignment of demand and supply on the labour market.	Development of a strategic framework for education and training. On 25 January 2019, the Council of Ministers adopted the general part of the Integrated Skills Strategy. Works are in progress on the detailed part of the document. The key component of the Integrated Skills Strategy is diagnosing of progress and challenges and specification of priorities associated with development of the appropriate skills in Poland, activation of resources of skills on the labour market, effective utilisation of skills in economic and social life, as well as strengthening of the system of shaping and development of skills.	This action will enhance the level and quality of employment.	The main challenge is to develop an effective mechanism for coordination of implementation of the strategy on the basis of its concept, described in the general part.	The cost of preparation of the Integrated Skills Strategy in year 2019 is PLN 199 thousand.	Making it easier for citizens to present and develop their qualifications. Making it easier for employers to assess the qualification level.
CSR 2	<i>Take steps to increase labour market participation, including by fostering labour market relevant skills, especially through adult learning...</i>	4	Increasing of participation of adults in education through activation of those, who have been passive, abstaining from participation in any forms of education and training.	Initiatives for adult learning. The pilot phase of the project associated with development of Local Centres for Knowledge and Education has been completed. Three beneficiaries coordinating development of the LOWE network (the pilot phase was conducted in 50 institutions) presented summary reports for the pilot phase of LOWE in June of 2018. The solutions developed during the pilot phase will be used during the subsequent stages of the programme.	This action will enhance the level and quality of employment.	The main challenge in the context of the action being undertaken is to establish long-term cooperation between the Local Centres for Knowledge and Education established and their local community with the aim of educational activity of adults.	It is expected that until year 2020, creation of new LOWE will cost PLN 18.8 million (including almost PLN 3 million from the state budget and PLN 15.8 million from the European funds).	The pilot programme for LOWE implementation has made it possible to develop the organisational and functional framework for establishment and operation of educational activation centres of this type, which are useful for development of LOWE within the framework of the subsequent competition.
CSR 2	<i>Take steps to increase labour market participation, including by fostering labour market relevant</i>	5	Improvement of quality of vocational higher education	The Act on higher education and science, which came into force on 1 October 2018, introduced solutions aimed at strengthening of the practical dimension of education. In fields of studies with a practical profile, two education paths have been introduced, that is, compulsory six-	This action will enhance the level and quality of employment.	The action is not associated with risk.	Assuming that each year, funds for implementation of the undertaking entitled Teaching Excellence Initiative are received by no more than 15 universities, in the	Better alignment of university curricula to the needs of the labour market, improvement of competences of graduates, stronger cooperation between

	<i>skills, especially through adult learning...</i>			month vocational practice or education in form of dual studies, involving the employer. Moreover, higher education institutions achieving the best results of professional career monitoring of graduates will be receiving a financial bonus in the amount specified in the annual communication of the Minister, within the framework of the programme "Teaching Excellence Initiative". The act also contains solutions that support adult education, that is, introduction of the possibility of offering specialist education by vocational universities, lasting no less than 3 semesters. Any person, who has completed the specialist education path, will receive a diploma of a licensed specialist or a licensed specialist - technology engineer.			amount of PLN 1 million each, over the period of 10 years, the cost for the sector of public finances will amount to PLN 150 million (state budget expenditures).	public vocational universities and employers.
CSR 2	<i>Take steps to increase labour market participation, including by fostering labour market relevant skills, especially through adult learning...</i>	6	Improvement of quality of vocational higher education	Within the framework of activities undertaken to provide universities with complex support in implementation of changes due to introduction of the act on higher education and science, a competition was held within the framework of path III in the second edition of the competition for development of complex university programmes - Integrated University Programmes (the so-called competition for a billion). Announcement of results of path I and II of the second edition of the contest has been planned for March of 2019.	This action will enhance the level and quality of employment.	Difficulties associated with modification of the project parameters by the university.	In December of 2018, decisions were made with regard to the competition for path III of the second edition - 10 projects were selected to receive financing, and contracts were concluded for the total amount of PLN 304.0 million.	138 universities have been granted support as a result of competitions organised so far for the Integrated University Programmes. This action will contribute to enhancing of quality of education by adapting it to the labour market demand.
CSR 2	<i>Take steps to remove remaining obstacles to more permanent types of employment.</i>	7	Not applicable.	No action was taken for the purpose of liquidation of the existing barriers hindering more permanent forms of employment.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
CSR 2	<i>Ensure the sustainability and adequacy of the pension system by taking measures to increase the effective retirement age and by reforming the preferential pension schemes.</i>	8	Development of a general and voluntary system of retirement savings.	<b>The act on Employee Capital Plans</b> (PPK) came into force on 1 January 2019. Employee Capital Plans constitute a voluntary and fully private system of long-term savings to satisfy one's financial needs after reaching 60. It is estimated that around 8.5 million people will join the PPK. The total minimum payment made (by the employer and the employee) may amount to 3.5%, and the maximum payment - 8% of the basis of retirement	Not applicable.	Challenges associated with the act include: increased investment rate, increased savings rate and reduction of the gap in income levels between the period of professional activity and the retirement period. To some extent, a risk can emerge in association with increase in expenditures of	During the first two years of functioning of the PPK (2019-2020), the impact of the system on the stage budget will be negative due to the need to pay for the initial premium and the annual additional payment from the Labour Fund. Moreover, the CIT tax	Increase in the savings scale to secure the financial needs after reaching 60 years of age and development of the local capital market.



				and disability insurance premiums.		the public finances sector in the first period of functioning of the PPK system, due to financing from the Labour Fund of the initial payment and the annual additional payment, as well as transfer from 1 January 2021 of basic premiums by all entities of the sector of public finances.	amount will be reduced due to the fact that the premium paid by the employer will constitute their tax deductible cost. On the other hand, income from PIT paid by participants for the premium of the employer will increase. Moreover, due to the fact that expenditures of bodies and entities subject to the stabilising expenditure rule (art. 112aa section 1 of the act on public finances), associated with introduction of the PPK, will be incurred within the framework of the amount and limit of expenditures specified in accordance with the stabilising expenditure rule, the changes introduced will not exert negative impact on the result of entities subject to the expenditure rule. These changes will be associated with the necessity to change priorities or limiting other expenditures subject to the stabilising expenditure rule or ensuring the proper level of additional income with regard to taxes or social insurance premiums as defined in ESA2010.	
<b>CSR 3</b>	<i>Strengthen the innovative capacity of the economy, including by supporting closer collaboration between business and research institutions.</i>	1	Creation of the best possible conditions for development of Polish science, as well as teaching of the future human capital in the manner adequate	On 1 October 2018, the Law on higher education and science act, known as the Act 2.0, came into force, replacing four other legal acts: the law on higher education, the act on the principles of financing of science, the act on academic degrees and titles, as well as the act on student loans and credits. Constitution for Science is an overall reform of higher	The action will influence the quality of education	Operational risk, incomplete understanding of new regulations by the stakeholders, that is, the academic environment and the socioeconomic environment.	In 10 years, the cost for the public finances sector will amount to PLN 32,831.6 million (state budget expenditures: PLN 34,403.2 million, funds from the Social Insurance Fund: PLN 1,571.6 million) - these effects apply to	The reform provides for changes in the system of organisation, functioning, financing of universities, as well as assessments of quality and management of the education system and development of academic and scientific

			to market requirements.	<p>education, which introduces substantial changes in functioning and financing of universities and in the course of academic career. In the context of the recommendation, the act introduces e.g.:</p> <ul style="list-style-type: none"> <li>o strengthening of the academic career development path,</li> <li>o strengthening of education in practical profile studies,</li> <li>o possibility of participation of the external environment in management of the university and increasing of competences of the rector,</li> <li>o taking into account of the criterion of influence on functioning of the society and the economy in evaluation of quality of education and scientific activity,</li> <li>o development of regional excellence initiatives,</li> <li>o hiring practitioners at universities,</li> <li>o strengthening of the interdisciplinary education model adapted to socioeconomic needs.</li> </ul>			<p>the entire act - see CSR 3. The budget for year 2019 in the part Higher education and science amounts in total to PLN 22,457 billion, including the European funds in the amount of PLN 2,364 billion, and the budget in part 67 - the Polish Academy of Sciences - more than PLN 83 million.</p>	<p>career. The reform will include introduction of a new educational model, focused on better alignment of competences of students and doctoral students to the needs of the labour market.</p>
CSR 3	<p><i>Strengthen the innovative capacity of the economy, including by supporting closer collaboration between business and research institutions.</i></p>	2	<p>Intensification of cooperation between research institutes to increase effectiveness.</p>	<p><b>The draft act on the Research Network: Łukasiewicz</b> was subject to works aimed at its adaptation to changes introduced by the Law on higher education and science act. The main objective of operation of the Łukasiewicz Network will be to conduct scientific research and development works that are of particular significance for implementation of the economic, scientific, scientific-technical and innovative policy of the state, as well as transfer of knowledge and implementation of results of scientific research and development works to the needs of economy. The Centre and institutes of the Łukasiewicz Network will implement research projects including applied research, industrial research and development works, and in justified cases - also basic research, including projects conducted as a part of international cooperation. They will also render research services on behalf of entrepreneurs and external entities. Entry into force of the act and launching of the</p>	<p>The action will influence cooperation between entrepreneurs and research institutions.</p>	<p>A challenge that will be faced by the Łukasiewicz Research Network will be organisational consolidation of scientific institutes, as this research network will be the third largest network in Europe, bringing together 38 research institutes that represent the key fields of science.</p>	<p>Financing of operation of the Network in 2019 amounts to PLN 25 million, and in 2020 - PLN 17.5 million.</p>	<p>Establishment of the network will allow for avoiding work on the same or similar research by different institutes and facilitate coordination of research works, concentrating the available knowledge and resources in a single institution. The Łukasiewicz Centre will develop a procedure of making these specialist tools available to external entities, such as academic entities and enterprises.</p>

				Research Network: Łukasiewicz took place on 1 April 2019.				
CSR 3	<i>Strengthen the innovative capacity of the economy, including by supporting closer collaboration between business and research institutions.</i>	3	Encouraging employers to invest in research and development activity.	Within the framework of the extensive tax modifications, specified in the act of 23 October 2018 on amendment of the act on personal income tax, the act on corporate income tax, the Tax Ordinance Act and on amendment of some other legal acts, an additional fiscal incentive has been provided to increase attractiveness of research and development activity in Poland ( <b>Innovation Box</b> ). The act, signed by the President on 14 November 2018 contains a tax relief, which allows for taxing with a 5% rate of income earned by the taxpayer from intellectual property rights (including patents, protection rights for designs or rights from registration of industrial designs - known as "eligible intellectual property rights"), where the object of protection has been made, developed or enhanced by the taxpayer within the framework of their research and development activity. The taxation relief also provides for benefit, if the taxpayer has purchased eligible intellectual property rights, referred to above, provided that they incur further costs associated with development or enhancement of the acquired. right The taxpayer will be entitled to apply the relief throughout the entire period of legal protection of eligible intellectual property rights. The relief came into force on 1 January 2019.	The action will exert impact on innovative capacity of economy.	The instrument is absolutely new in Polish legislation, and over the short-term perspective, it may turn out that enterprises are not eager to take advantage of it due to lack of sufficient knowledge or fear that the relief would be questioned by the revenue authorities.	At this stage, the impact of the reform on the state budget cannot be assessed.	The new tax relief is to constitute an incentive for entrepreneurs to show innovativeness, as well as to commercialise and protect their ideas. Among other things, the new provisions will enhance attractiveness of research and development activity in Poland, a shift of the economic model towards knowledge based economy, as well as increasing of awareness with regard to intellectual property rights as the potential sources of revenues.
CSR 3	<i>Strengthen the innovative capacity of the economy, including by supporting closer collaboration between business and research institutions.</i>	4	Supporting entrepreneurs in the process of digitalisation and introduction of new technologies.	The task of the Future Industry Platform will consist of intensive promotion of knowledge and skills necessary to function under the conditions of Industry 4.0, which is to be developed on the initiative of the public administration with support of entities representing the sectors of industry and science, and it will operate at the interface of the public and private sector and associate and coordinate suppliers and recipients of technologies and science centres. The Platform will provide non-financial support (trainings, consulting, undertakings to integrate entrepreneurs in the sphere of digital	The action will exert impact on innovative capacity of economy.	A challenge for the Platform will be to promote its activity in the media and economy and to reach the maximum number of entities, making them aware of the need to adapt their structures and activities to changes taking place in the digitalisation era.	The start-up fund for the Platform will consist of a grant in the amount of PLN 2 million, provided by the State Treasury. In years 2019-2028, around PLN 236.1 million is to be dedicated for statutory solutions.	Development of the Platform will enable expert and consulting support for entrepreneurs, clusters, entities operating on behalf of innovative economy and socio-economic partners contributing to development. It will constitute an opinion-giving and consulting facility for these entities, supporting them in the

				transformation). This support will be granted to entrepreneurs, entities that manage innovation clusters, entities operating on behalf of innovative economy, as well as social and economic partners contributing to development. The act came into force on 9 March 2019.				process of digitalisation of economy.
CSR 3	<i>Strengthen the innovative capacity of the economy, including by supporting closer collaboration between business and research institutions.</i>	5	Intensification of cooperation between the academic world and business.	<p>The aim of the “<b>Industrial Doctorate</b>” programme is to create favourable conditions for development of cooperation between the world of science and the socio-economic community within the framework of doctoral studies and to introduce the possibility of educating doctoral students in cooperation with entrepreneurs (or other entities) hiring them. The funds are used to:</p> <ul style="list-style-type: none"> <li>o provide additional funds for use of research infrastructure to allow doctoral students to conduct scientific research;</li> <li>o providing of financing for doctoral scholarships in the period of doctoral studies according to their curricula, for no more than 4 years.</li> </ul> <p>The applicant, that is, a university or a research institute, presents candidates to participate in the programme, who have enrolled for doctoral studies and will be offered full-time employment by the employer.</p> <p>On 29 March 2018, the Ministry of Science and Higher Education announced a competition for the 2nd edition of the “Industrial Doctorate” programme. The deadline for submission of applications by entities was 28 May 2018. 84 entities presented 609 candidates for the programme. The Minister awarded funds to 80 entities, which will educate 453 doctoral students within the framework of the 2nd edition of the programme. At the end of the competition, contracts will be signed with these entities and funds will be transferred. A similar procedure will be applicable to the third edition of the programme in year 2019.</p>	The action will influence the quality of education.	Insufficient number of doctoral students participating in the programme, insufficient potential of implementation works in economy. Random events: withdrawal of doctoral students, liquidation of company, lack of funds.	It is expected that expenditures from the state budget for the entire period of implementation of the programme, that is, the 4 subsequent editions, will amount to more than PLN 656 million.	Around 800 doctoral students in approximately 130 entities participate in the 1st and 2nd edition of the programme (1st edition - around 50 units and 340 participants, 2nd edition - around 70 entities and 460 participants). It is estimated that in the third edition, the number of entities and the number of candidates registered will be comparable to that of the second edition.
CSR 3	<i>Improve the regulatory environment</i>	1	Enhancement of conditions of business activity	On 1 January 2019, the act of 9 November 2018 on amendment of some acts for the purpose of introduction of simplifications	Development of entrepreneurship will translate to	The basic challenge is to prevent recurring increase of the amount of administrative	Reduction in income of the public finances sector due to the changes	The changes introduced will free business and increase the effectiveness

			through elimination of excessively developed procedures, unnecessary bureaucratic load, interpretation doubts and digitalisation of services.	for entrepreneurs in the taxation and economic law, the so-called <b>"Package for the SMEs"</b> . The act develops further the already functioning rights by including a broader category of entities, clarifies the interpretation doubts revealed in association with performance of business activity and introduces tax reliefs for entrepreneurs and tools to minimise the risk associated with tax charges and business relations with partners, who have turned out to be unreliable.	increase in the employment rate.	charges due to abuse of the legislation by applying it to problems emerging in economy without the appropriate OISRs.	introduced has been estimated to amount to the annual average of approximately PLN 380 million. This forecast is a conservative one, as it does not take into account the positive impact on tax proceeds due to increased business activity as a result of the changes introduced. The changes will generate savings on the part of enterprises in the amount of PLN 4 billion in the period of 10 years.	of managing of resources of the entrepreneur. For economy, this translates to strengthening of competitiveness and effectiveness, which will exert positive impact on GDP growth.
CSR 3	<i>Improve the regulatory environment</i>	2	Easier continuation of business activity of a natural person after their death, in the period between opening of the inheritance and its division.	On 25 November 2018, the act of 5 July 2018 <b>on successive management of business activity of a natural person</b> came into force. It allows to prevent cessation of legal personality of an enterprise in the case of death of the entrepreneur. For this purpose, the act regulates the rules of temporary management of business activity after death of an entrepreneur, according to their will or the will of their legal successors as owners of the enterprise. The act applies to enterprises managed on the basis of an entry in the CEIDG.	Maintaining of employment level in companies subject to successive management.	The proposed solutions are voluntary and there is no certainty as to the number of entrepreneurs, who will take advantage of the act. It is assumed that in most cases, the entrepreneur will designate the successive manager, which should exert major impact on positive outcome of the succession process.	Performance of tasks based on introduction of this legal act will not result in increased expenditures in comparison with the previous legal provisions, and it will be included in the overall amount of expenditures of the public finances sector designated for these tasks.	The solution introduced will limit business losses due to closing of companies as a result of negative outcome of succession processes in family businesses.
CSR 3	<i>Improve the regulatory environment</i>	3	Reduction of administrative obligations of enterprises. Provision of opportunity to take full advantage of digitalisation of documents.	On 1 January 2019, changes came into force with regard to <b>digitalisation and shorter period of storage of employee files</b> , introduced by the act of 10 January 2018. According to the act, employers will be obliged to store employee files for 10 years instead of 50 years. The Social Insurance Institution will have at its disposal all data necessary to obtain benefits and to determine benefit amounts. Moreover, employers will be able to store employee and payroll files in electronic format. If they choose to do so, the existing printed documentation will be scanned and certified with a qualified electronic signature.	Increase of employment rates as a result of facilitation of business activity.	Not applicable.	The estimated cost of adaptation of the Social Insurance Institution to gathering and storage of additional data amounts to PLN 46 million.	According to estimates of the Ministry of Entrepreneurship and Technology, thanks to digitalisations, the costs of companies hiring around 500 employees may be reduced even by approximately PLN 200 thousand per year.
CSR 3	<i>ensuring effective public and social consultations in the</i>	1	Improvement of the quality and adequacy of	The Strategic Analysis Centre (CAS) established in 2018 has been involved in the legislative process. Its task is to	Not applicable.	The basic challenge is to provide analytics and experts in sufficient numbers for the	Not applicable.	The CAS is in the process of development of its final institutional

	<i>legislative process</i>		regulations proposed by the government. Enhancement of coherence of political decisions made as a result of activity of the government.	provide preliminary assessment of assumptions and drafts of legal acts prepared by individual departments and issuing of opinions on final versions of drafts of legal acts and RIA, prior to launching of the procedure of approval by the Council of Ministers and submission to the Parliament. The CAS is able to block drafts, if the RIA is considered to be insufficient. The CAS may also apply for ex post assessment of normative acts. Employees of the CAS provide analyses of the socio-economic conditions on an ongoing basis, delivering expert knowledge and recommendations for the public policies.		tasks defined.		structure and expert staff, which will determine its position and recognition of its recommendations in the eyes of the political decision-makers. Development of a strong position by the CAS over time will allow the government to respond more effectively to strategic challenges.
CSR 3	<i>ensuring effective public and social consultations in the legislative process</i>	2	Better quality of drafts of governmental documents submitted to the Council of Ministers, taking into account proper recognition of stakeholder opinions.	On 22 January 2019, changes were introduced to the Work Regulations of the Council of Ministers. As a result of these changes, the Chairman of the Permanent Committee of the Council of Ministers may return a draft to the applying body, demanding completion of the RIA, completion of the application or conducting of public consultations, if the draft has not been subjected to such consultations and the RIA indicates no cause for withdrawal from these consultations, no consultation report has been attached or the established deadlines for issue of the opinion are too short and no detailed justification of this fact has been given.	Not applicable.	The basic challenge is to find balance between the time needed to conduct a reliable RIA and political or social urgency of the problem being solved by the draft of the regulations.	Not applicable.	Strengthening of position of the Chairman of the SKRM will force the departmental applicants to present more comprehensively the social and economic effects of the new legislation, which too often is developed from the narrow perspective of a given trade.
CSR 3	<i>ensuring effective public and social consultations in the legislative process</i>	3	Making it easier for departments to identify the stakeholders of the designed legal solutions.	On the website of the Ministry of Entrepreneurship and Technology, there is a list of entities, with particular emphasis of entrepreneur organisations, to be used in the process of public consultations by the governmental administration. The list is being updated on an ongoing basis by adding entities, which express their willingness to participate in the consultations.	Not applicable.	Proper identification of stakeholders of the draft legislation is necessary.	Not applicable.	Inclusion of significant stakeholders, having extensive knowledge of the problem being solved, will allow for better balancing of different interests and avoiding of erroneous legislative solutions.
CSR 3	<i>ensuring effective public and social consultations in the legislative process</i>	4	Development of tools for identification and reduction of excessive and inadequate	Within the framework of the Programme for Support of Structural Reforms, a draft recommendation on improvement of the system of Regulatory Impact Assessment (RIA) has been prepared, as well as draft guidelines for estimation of regulatory	Not applicable.	Ongoing updating of the database of estimated costs of standard administrative tasks will be necessary.	Not applicable.	More precise estimation of costs of administrative charges associated with the draft document will allow for evidence-based selection of legislative

			regulatory burden.	benefits, as well as a template of the Standard Cost Model along with a database of estimated standard costs of administrative tasks performed by entrepreneurs. The data and guidelines gathered and processed will be used in everyday development of RIA's.				solutions, self-regulation or lack of regulations.
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## 7. The institutional process of NRP updating and involvement of stakeholders

Updates of the NRP are determined on the one hand by the schedule of the European Semester, and on the other hand - by rules applicable to development of programme documents. A draft document goes through the phase of interdepartmental arrangements and social consultations; afterwards, it is analysed by appropriate committees of the Council of Ministers to be finally adapted by the Council of Ministers.

Taking into account both the need to ensure accuracy of activities proposed for the upcoming update of the NRP, and the need to obtain the widest possible approval for these, the government invites an extensive range of stakeholders representing the world of economy, science and the civic society to participate in works on development, implementation and monitoring of the NRP. The Polish Parliament is also involved in the process of updating of the NRP and implementation of the European Semester.

**Involvement of the Parliament** is associated with key moments of the European Semester, when the Council of the EU accepts recommendations for individual member states at the end of the cycle (country specific recommendations - CSR), and when the European Commission (EC) initiates a new cycle, publishing the Annual Growth Survey (AGS). The draft of recommendations for Poland, published on 23 May 2018 by the EC, was subject to a debate on 14 June 2018 during the joint meeting of the Commission for the European Union, the Commission for Public Finances and the Commission for Economy and Development of the Sejm, and the introductory document, explaining the assumptions made in preparation of drafts of opinions and recommendations of the Council of the European Union for individual member states was discussed during the meeting of the Commission for the European Union of the Sejm on 12 September (the Commission for Foreign Affairs and the European Union of the Senate discussed both documents on 24 July). Information on the communication of the EC of 22 November concerning the AGS 2019 during the joint meeting of three commissions of the Sejm was presented on 23 November by the Vice President of the EC, Valdis Dombrovskis. The stance of the Government of the Republic of Poland, referring to this communication, was considered by the Commission for the European Union of the Sejm on 21 February 2019.

Moreover, the Parliament was involved - like every year - in the NRP draft consultation process. Information concerning drafts of the NRP and the Convergence Programme was presented on 11 April 2018 during the joint meeting of the Commission for the European Union, the Commission for Public Finances and the Commission for Economy and Development of the Sejm.

**Inclusion of socio-economic partners** in the process of updating and implementation of the NRP is possible thanks to the **Interministerial Team for the Europe 2020 strategy**, acting under the guidance of the minister competent for economy (that is, the Minister of Entrepreneurship and Technology). This consultative and advisory body of the Chairman of the Council of Ministers brings together not only representatives of the governmental administration, but also a large group of representatives of local government units, entrepreneur organisations, trade unions, commercial and agricultural chambers, NGOs and science and research institutions.

The tasks of the Team include issuing of opinions on drafts of the NRP and other documents prepared in association with implementation and monitoring of the Europe 2020 strategy in Poland. The Team also participates in monitoring and evaluation of implementation of structural reforms described in the NRP and in preparation of recommendations aimed at enhancing effectiveness of implementation of the Europe 2020 strategy. Participation in the Team of partners not representing the governmental administration also increases their responsibility for implementation of the Europe 2020 strategy at the national and local level. Thanks to its broad participation formula, the Team functions as a place of confrontation of various points of view on significant socio-economic problems. This allows for better understanding of objectives of the Europe 2020 strategy, its more



effective implementation and monitoring, as well as development of knowledge on the European Semester.

Meeting, as a rule, at least once in every quarter, the Team for the Europe 2020 strategy discusses the documents and projects that emerge during the subsequent stages of the European Semester, starting from country-specific recommendations, through the Annual Growth Survey, the Country Report, to individual stages of work on a subsequent update of the NRP. In particular, the Team provides the socio-economic partners with an opportunity to indicate problems that they consider worthy of reflecting in tasks proposed for implementation in the updated document.

Simultaneously with issuing of opinions concerning documents, horizontal issues are discussed during plenary meetings of the Team or work meetings of the Team members concerned. In particular, in the period since the previous update of the NRP, an annual work meeting was held to discuss the trends in poverty in Poland, discussing, in the light of the most recent data, such issues as conclusions from the poverty monitoring implemented by the Polish Committee of the European Anti-Poverty Network (PC EAPN), comparison of trends with regard to poverty in Poland and the European Union on the basis of the European Union Statistics on Income and Living Conditions (EU-SILC) and impact of social transfers on income of households. In March of 2019, the social partners initiated a debate on increasing of employment of persons with disabilities, attended by representatives of organisations operating on behalf of the disabled, organisations of socio-economic partners in the Team for the Europe 2020 strategy and representatives of public administration. Moreover, during the meetings of the Team, recommendations of the EU Council for Poland of 13 July 2018 were discussed, as well as the following topics: Increasing of professional activity of the society, taking into account the perspective of aging of human resources; Polish priorities in COP 24 in the context of implementation by Poland of objectives of the EU climate policy; Information on the Structural Reform Support Programme (SRSP) and its use in Poland.

### **Activities undertaken by Team members other than representatives of the governmental administration, for achievement of objectives of the Europe 2020 strategy**

Involvement of socio-economic partners in the process of the European Semester goes beyond participation in works of the Team for the Europe 2020 strategy. Organisations represented in the Team undertake autonomous actions, which fit into achievement of objectives of the Europe 2020 strategy. Information on such activity has been presented by the Federation of Scientific and Technical Associations NOT. The undertakings of the NOT were focused mainly on integration of the engineering environment and undertaking actions to support innovativeness of the Polish economy and raising of qualifications of the technical staff. The most important ones include: The 15th Engineering Forum on 5 June 2018 in Poznań on "Technology in Recycling"; granting of the Euro Engineer (EUR ING) title; the Nationwide Competition FSNT-NOT MASTER OF TECHNOLOGY, organised every two years to promote creators of implemented innovative solutions and technical undertakings; the Stanisław Staszic competition for the best innovative products, entitled "Laurels of Innovativeness"; the Safe Practices and the Environment programme, preparing the youth and students to take part in safe internships and traineeships; the Golden Engineer Contest organised annually by the editorial board of "Przegląd Techniczny" periodical, aimed at recognition and promotion of engineers, who have rendered great services to Polish economy and science. An important form of supporting innovativeness by the SME's is issue by NOT entities of opinions concerning implementation of new technologies, which is a prerequisite for redemption of a part of the "technological credit" in projects ran by Bank Gospodarstwa Krajowego within the framework of the Smart Growth Operational Programme 2014-2020.

Moreover, already at the stage of gathering of proposals of actions for the NRP, the Foundation Institute For Regional Development (FIRR) - in the name of the Congress of Persons with Disabilities movement - proposed inclusion in the NRP of the Strategy (Plan) for Independent Living and

Deinstitutionalization. According to FIRR, the deinstitutionalization strategy will be required to launch the EU funds in the new financial perspective (thematic conditionality of ESF+ 2021-2027). At the same time, Poland is obliged to implement Independent Living and Deinstitutionalization due to ratification by Poland of the Convention on Rights of Persons with Disabilities. The FIRR also points out that Poland spends huge amounts of money on institutional forms of support (such as social welfare homes). This will be very difficult to continue and to handle due to ageing of the society. Other forms of support, such as assistant services, aided housing, respite care - are compliant with the Convention standards, they support activity in the local communities (including professional activity of some of the persons concerned and their carers) and are much more profitable for the state finances. At present, pilot programmes of deinstitutionalization (support in the local community) are being conducted in the area of psychiatry. We need analogous action in the case of seniors and persons with disabilities. The concept of the Strategy of Independent Living and Deinstitutionalization has been prepared by the Congress of Persons with Disabilities within the framework of "For Independent Living" - assumptions for drafts of legal acts for the new system of support for persons with disabilities. These problems were presented during the working meeting of the Interdepartmental Team for the Europe 2020 strategy, dedicated to increasing of employment rates among persons with disabilities.

## Annexes:

### 1. Summary of implementation of measures specified in NRP 2018/2019

#### Employment target

##### Main activities undertaken since April 2018

Within the framework of implementation of the „Youth Guarantee” (Ministry of Family, Labour and Social Policy), the project “From training to employment” was continued. Implementation of the recruitment process and support in this project was divided into two cycles: the first one in years 2017-2018 (2800 people) and the second in year 2019 (1600 people). Until December of 2018, the planned number of project participants for the first cycle (2800 people) was achieved, and the youth received the following forms of support: group and individual consultations in professional consulting, vocational trainings (language and computer courses, driving license courses for category B and preparatory workshops for independent living), 3-month traineeships with job agency services and workshops in professional employee image creation.

Support was also continued within the framework of projects selected during the 2nd central competition announced on 29 December 2017. In total, 140 projects were received in the competition, 87 of these were assessed positively and passed on to the negotiation stage, 40 projects received a negative grade and were rejected. Applicants for 10 projects withdrew from their implementation. As of 31 December 2018, in total, 38 contracts have been concluded for financing of 38 projects worth nearly PLN 66.1 million.

A number of activities were undertaken to support [development of the social economy sector \(Ministry of Family, Labour and Social Policy\)](#) . In January of 2019, the Council of Ministers adopted the update of the National Programme for Development of Social Economy (KPRES).

In the 4th quarter of year 2018, the second Nationwide Forum of Social and Solidarity-Based Economy was organised, which included a presentation of good practices functioning in the PES. Moreover, the “Quality Label of Social and Solidarity-Based Economy 2018” certificates were granted for the first time.

During the same period, works were completed on a model enabling development of social economy programmes at the regional level. This instrument will be popularised in year 2019.

In 2018, activity associated with assessment of quality of functioning of OWES and the process of granting of accreditations to OWES was continued. In 2018, 24 OWES received an extension of their accreditation and 46 centres obtained new accreditations. 42 monitoring visits were also conducted at the OWES, as well as 21 visits to monitor audits.

A list of indicators for the system of monitoring of the social and solidarity-based economy sector was prepared. During the next stage, indicator cards and test data sheets will be prepared.

In the context of [reconciling of professional and family life and counteracting gender discrimination at work \(Ministry of Family, Labour and Social Policy\)](#), the project “Implementation of the tool to support equality between women and men in economic decision-making processes at medium-sized enterprises” was continued. Seminars for representatives of medium-sized enterprises on equal opportunities of men and women at work also have been continued. After providing access to the website <https://rownoscwbiznesie.info/>, which contains a database of knowledge in this regard, a publication on good practices will be prepared in year 2019.

With reference to the project „Implementation of the tool to support equality between women and men in economic decision-making processes at medium-sized enterprises”, on 26 June 2018, a contract was signed for additional financing of the project „Work & Life Balance Hub” for the amount of PLN 4.3 million, the project implementation period: 1 November 2018 - 31 October 2021.

On 30 October 2018, a competition was announced, entitled “Improvement of competences of non-communal entity representatives, planning to establish and maintain institutions to provide care over children up to 3 years of age, coming from communes occupied by 5 thousand or more inhabitants”. Entities to receive financing will be selected in the 2nd quarter of year 2019.

The “MALUCH+” 2019 programme was announced on 28 November 2018. The amount of PLN 450 million has been designated for this edition of the Programme, and projects that are eligible for additional financing were selected in February of 2019.

A report on performance of provisions of the act on care over children up to 3 years of age for year 2017 was approved by the Council of Ministers on 21 September 2018.

## **R&D expenditure target**

### **Main activities undertaken since April 2018**

The draft of the act on amendment of the Industrial property law act (Ministry of Entrepreneurship and Technology/ Patent Office of the Republic of Poland) (UD311) was submitted to the Permanent Committee of the Council of Ministers for recognition in January of 2019. At the same time, from the existing project, legal provisions were excluded to be subjected to a separate legislative procedure (project UC129), adopting the Polish legislation on trademarks to the standards applicable in the European Union, specified in the Directive of the European Parliament and the Council (EU) 2015/2436 of 16 December 2015. The act came into force on 16 March 2019. These activities are aimed at enhancing protection of industrial property rights.

In the reporting period, a number of meetings were conducted with representatives of the Polish Chamber of Trademark Attorneys (PIRP) in order to confirm the capacity of the Chamber in solving of disputes in the field of industrial property, including through conciliation and arbitration.

In the draft of the act on amendment of the act on personal income tax, the act on corporate income tax, the General Tax Regulations Act and on amendment of certain other legal acts, the Government proposed introduction of a solution, which is beneficial for entrepreneurs, known as the IP Box or the Innovation Box (Ministry of Entrepreneurship and Technology/ Ministry of Finance), aimed at making Poland a more attractive place for research and development activity. The act was passed by the Sejm during the meeting of 23 October 2018 and signed on 14 November 2018 by the President of the Republic of Poland. Legal provisions regulating the IP Box came into force on 1 January 2019, and on 9 March 2019, the act of 17 January 2019 on The Future Industry Platform (Ministry of Entrepreneurship and Technology) came into force. It was thus possible to commence development of the Platform, which is to enhance competitiveness of entrepreneurs by supporting their digital transformation with regard to business processes, products and models using state-of-the-art achievements of automation, artificial intelligence, ICT technologies and communication between machines and between humans and machines, taking into account the appropriate level of security of these solutions. The process of development of the Platform is to be divided into three phases: preparatory (building of awareness with regard to the need for transformation among entrepreneurs), shaping of functionality (launching of the system of services and instruments to support transformation) and the full functionality phase. The state budget expenditures allocated to activity of the Foundation amount to PLN 21.1 million in year 2019.

Due to improvements needed to be introduced to the analytical report for the purpose of the “Global Inno-Stars” instrument, further works have been conducted on the final version of the report with the supplier in the 4<sup>th</sup> quarter of 2018. The research covered a benchmark analysis of selected instruments abroad, a survey with questionnaire form and in-depth interviews among the previously identified population. It examined needs related to internationalisation of innovative technological solutions - The report was finally accepted on 7 December 2018. After receiving the final version of

the report, works were commenced on development of the contest documentation. The external operator should be selected in the 2<sup>nd</sup> - 4<sup>th</sup> quarter of 2019, and pilot enrolment of applications has been planned for the first 6 months of 2020.

Within the framework of [research and development works in the field of nuclear technologies \(Ministry of Energy\)](#), a process of interdepartmental and intradepartmental arrangements was conducted for the draft of the act establishing the National Laboratory of Nuclear Energy (NLEJ), which took longer than expected. This results in the necessity to postpone the deadlines for implementation of subsequent stages of this action, depending on whether the Sejm will pass the act. In association with the opinion of the KPRM on the draft act, submitted on 25 February of the current year, further analyses are being conducted on establishment of the NLEJ. Another component of this action is the project for implementation in Poland of high-temperature nuclear reactors (HTGR), where, due to high innovativeness, a number of financial, organisational and technological challenges have been encountered (the first project of this type in the European Union). On 29 January 2019, the Ministry of Energy entered into an agreement with the National Centre for Research and Development with regard to the possibility of implementation of the HTGR high-temperature reactor technology. The HTR Gospostrateg project will be implemented by: The Ministry of Energy of the Republic of Poland and two scientific institutions - the National Centre for Nuclear Research and the Institute for Nuclear Chemistry and Technology. The dates for commencement of individual stages of this action has been shifted and [described in chapter 5.3](#).

## **Energy & climate targets**

### **Main activities undertaken since April 2018**

Accordingly with the schedule provided in the NRP, subsequent [administrative and systemic facilitations for producers of energy from renewable sources are being introduced \(Ministry of Energy\)](#). The amendment of the act on RES (approved by the Sejm on 7 June 2018) came into force on 14 July 2018. On 2 October 2018, the President of the Energy Regulatory Office launched auctions for sale of electricity from RES in accordance with the provisions of the amended act.

According to the schedule provided in the NRP, in the 4th quarter of year 2018, activity was commenced to prepare subsequent proposals of amendments to the act on RES. Further on, since the 4th quarter of year 2018, works have been conducted, involving social stakeholders, to improve the legislation to support production and use of RES energy within the framework of energy cooperatives. Works on the project amendment are now at the stage of working consultations with the RES trade representatives. During the working consultations with the RES trade representatives, an urgent need for amendments to the act on RES with regard to connection to the grid was identified. The draft ant amendment on RES in this regard has been entered on the list of legislative works of the Council of Ministers (UD 477), and in the 1st quarter of year 2019, it will be presented to the Council of Ministers for acceptance. Regardless of the above, preparations are in progress for a broader amendment of the act on RES, which was initially announced in 2018.

[Development of high efficiency cogeneration \(Ministry of Energy\)](#). On 25 January 2019, the act of 14 December 2018 on promotion of electricity from high efficiency cogeneration came into force (Journal of Laws of 2019, item 42 and 412), introducing a new operational support mechanism for electricity from high efficiency cogeneration. Amendment of the act on promotion of electricity from high efficiency cogeneration (of 21 February 2019) was associated in the first place with the necessity to adopt provisions of the act so that support dedicated for new cogeneration units, within the framework of an auction or a contest, could be obtained only by an entity that meets the requirements of paragraph 50 of the Guidelines on state support for environmental protection and objectives associated with energy in years 2014-2020. The task of the new support system is both to stimulate construction of new cogeneration units, including conversion of conventional heating

plants to cogeneration units (in the perspective until year 2028, it is expected that support can be obtained for units of total capacity of 5.1 GWe) and maintaining of production of electricity from high efficiency cogeneration in the existing units, which would not be able to operate without support - to cover the financial gap in operating costs. On 15 April 2019, the European Commission published a communication on approval of the Polish mechanism for support of electricity from high efficiency cogeneration. The process of granting support within the framework of the proposed mechanism (both entry into the system and further participation) will be a multiannual one.

Due to the need to wait for guiding political decisions, submission by the Ministry of Energy of an update of the [Polish nuclear energy programme \(Ministry of Energy\)](#) and its acceptance, which should have taken place in the 2nd quarter of year 2018, has been delayed. Commencement of the tender procedure for technology suppliers has also been shifted. Environmental and site tests for the nuclear plant have been conducted in two potential locations (Żarnowiec and Lubiатовo-Kopalino), however, their completion has also been shifted to the 4th quarter of year 2019. Within the framework of other activity aimed at implementation of nuclear energy in the Polish energy mix, a Team has been appointed to develop amendments with regard to preparation and implementation of the investment project with regard to nuclear energy facilities and the associated investments. The main task of the Team is to prepare an amendment to the special purpose nuclear act to accelerate the investment process associated with construction of the first nuclear power plant in Poland. The current schedule of works associated with PPEJ [can be found in chapter 5.4.](#)

[Electromobility \(Ministry of Energy, Ministry of Entrepreneurship and Technology, National Fund for Environmental Protection and Water Management, Polish Development Fund, Polish Agency for Enterprise Development, National Centre for Research and Development \)](#). On 13 July 2018, an amendment to the act on biocomponents and liquid biofuels has been published. Its provisions on establishment of the Low Emission Transport Fund (FNT) came into force on 28 July 2018 with a slight delay in relation to the 2nd quarter, planned in the NRP. After the preliminary discussions with the European Commission, the Ministry of Energy decided to proceed with pre-notification of drafts of secondary legislation to this act. The preliminary material on public assistance and the FNT has been submitted to the EC. Due to the great number of support instruments, Poland will aim at division of the notification into parts in order to accelerate the process. However, it is expected that it will not be possible to obtain all decision of the EC until the end of the 2nd quarter of year 2019 based on the earlier experience in prenotification and notification time of legal acts. In the act introducing the FNT, 12 areas for financing of projects have been identified (11 specified areas and “other” activity). Some of these do not require an EC notification, as it can be granted on the basis of the existing regulations on public assistance (block exemption or de minimis aid). Announcement of the first competitions by the National Fund for Environmental Protection and Water Management (National Fund for Environmental Protection and Water Management) has been planned for the 3rd quarter of year 2019. Other competitions can be announced only after a positive decision of the EC in this regard has been issued. Within the framework of the electromobility trade acceleration programme, implemented by the Polish Agency for Enterprise Development under the name Elektro ScaleUp, on 26 June 2018 (according to the schedule specified in the NRP), a contract was signed with the selected accelerator, who gathered the private contribution to the project as required in the contract. The programme is to provide support for 30 start-ups offering solutions for the electromobile trade and to implement as many as 23 of these solutions in large or medium-sized enterprises. The acceleration programme will last until the end of May of 2020. The next activity in electromobility is the ‘Emission free public transport’ programme. The National Centre for Research and Development selected the offer of the Ursus Bus Consortium as the most advantageous one for performance of the public contract in the mode of innovative partnership for development and supply of a series of innovative emission-free public transport vehicles. Activities in the field of electromobility are also implemented within the framework of priority programmes of the National Fund for Environmental Protection and Water Management (National Fund for Environmental

Protection and Water Management ), including: “Green Investment Scheme GEPART - emission-free public transport”. Contracts have been signed for the total amount of non-reimbursable additional financing of PLN 17.7 million and reimbursable financing of PLN 9.7 million. The activity will be continued. In addition, programme GEPART II has been launched to support activity in the field of emission-free transport.

**Development of interconnection capabilities (PR for SIE)** described in NRP 2018/2019 has been implemented in accordance with the schedule. In 2018, the final investment decision has been made to implement the Baltic Pipe project, and an agreement was signed between the Republic of Poland and the Kingdom of Denmark on the **Baltic Pipe project**, establishing the legal framework for implementation of the project in the Baltic Sea. Geophysical, geotechnical and environmental surveys have been completed. Within the framework of the Baltic Pipe project, in 2019, applications are to be submitted to the competent authorities of Poland, Denmark and Sweden for issue of permits for laying of an offshore pipeline, conclude the tender procedure for selection of contractors and suppliers. Construction works are to be commenced in 2020. In 2018, a permit was obtained for construction of the investment consisting of **extension of regassification capacity of the LNG terminal in Świnoujście** (from the present 5 billion m<sup>3</sup> to 7.5 billion m<sup>3</sup> annually), and the procedure was commenced to select contractors for the extension. Within the framework of the project, in the 4th quarter of year 2019, a contract is to be signed for extension of onshore part of the LNG Terminal . Later on, in the 2nd quarter of year 2020, a permit is to be obtained for construction of project III Tank, and in the 3rd quarter of year 2020, a building permit is to be obtained for the LNG-to-Rail project and the Second Jetty project. With regard to construction of **Poland - Lithuania and Poland - Slovakia gas connections**, final investment decisions were made in 2018 to implement these undertakings. The following steps include, in the case of the **Poland-Lithuania gas connection**, obtaining of the decision for location of the investment for the southern section (2nd quarter of 2019) and signing of a contract for performance of construction works (3rd-4th quarter of year 2019). As for the **Poland-Slovakia gas connection**, in the 2nd quarter of 2019, a contract is to be signed for construction works, and in the 3rd quarter of 2019, supplies of pipes and fixtures are to be completed.

## **Educational targets**

### **Main activities undertaken since April 2018**

According to the schedule specified in NRP 2018/2019, in July of 2018, the Sejm passed the act - Law on higher education and science and the act on legal provisions introducing the Law on higher education and science act. Both acts were published in the Journal of Laws on 30 August 2018 (item 1668 and 1669). Some of the provisions of the main act came into force on 1 October 2018. Entry into force of individual provisions has been spread over the period of several years, to give universities the time needed to prepare their structures properly for the new solutions.

In May 2018, the second edition of the contest for Integrated University Programmes (ZPU) was announced in three paths. Until March 2018, contests of the 1st edition in three paths were concluded - 138 contracts were entered into of the total value of PLN 1.359 billion. In the procedure, which lasted until 5 October (path I - III of ZPU), 146 applications were received. In December of 2018, decisions were made with regard to the competition for path III of the second edition - 10 projects were selected to receive financing, and contracts were concluded for the total amount of PLN 304.8 million. In the remaining two paths, the conclusion is planned for year 2019. Until 15 October, applications were accepted in the contest Integrated University Programmes for Regional Development, launched in May of 2018. Universities submitted 66 applications.

Amendment of the act on Education law, the act on the educational system and some other legal acts, which will come into force on 1 September 2019 (except for some provisions, which will come

to force on other dates) introduces changes in vocational education in Poland to improve the quality and effectiveness of education in schools and other institutions.

On 7 November 2018, a regulation of the Minister of National Education entered into force, concerning specification of detailed conditions of general accreditation of teacher development institutions. In the 2nd quarter of year 2018, a final version of the exercise school model was prepared, as well as recommendations for amendments of legal provisions to enable functioning of exercise schools in the education system. The substantive assumptions were accepted and the accepted projects for development of exercise schools were announced. On 29 March 2018, the Ministry of Science and Higher Education announced a competition for the 2nd edition of the "Industrial Doctorate" programme. The deadline for submission of applications by entities was 28 May 2018. 84 entities presented 609 candidates for the programme. The next stage of the competition was submission of detailed information necessary for transfer of funds by entities that received positive decisions. The deadline for submission of this information expired on 20 September 2018. The contest will be concluded by signing of contracts with entities at the end of year 2018/ beginning of year 2019. The same procedure will apply in the 3rd edition of the programme in year 2019.

## Poverty and social exclusion targets

### **Main activities undertaken since April 2018**

In the context of activity on behalf of the elderly, on 26 October 2018, the Council of Ministers adopted the document "Social Policy for the elderly 2030. Safety - Participation - Solidarity". Activities associated with implementation of the programme were launched in the 4th quarter of year 2018.

The governmental programme Accessibility Plus was adopted by the Council of Ministers on 17 July 2018. On 14 December 2018, the European Commission made the decision concerning amendments to the Knowledge Education Development Operational Programme (KED OP), which will make it possible to eliminate a number of barriers hindering access to public services, encountered by persons with disabilities and the elderly. The new provisions of the KED OP make it possible to implement 18 out of 44 actions planned in the Accessibility Plus Programme. Announcement of the first competitions for the Programme has been commenced. In December of 2018, the Minister for Regional Development issued an order to appoint the Council for Accessibility, acting as a consultative-advisory body. The Council supports the Minister in coordination of accessibility.

With regard to the „Apartment Plus” (Ministry of Investment and Economic Development) programme, for the first instrument, implemented by Polish Development Fund Nieruchomości S.A. (subsidiary of the Polish Development Fund) according to market principles, since April 2018, 480 apartments were delivered, constructed in Biała Podlaska, the commune of Jarocin (Jarocin, Siedlemin) and Kępno. Housing investments included construction of more than 1 thousand apartments located in Gdynia, Jarocin, Katowice, Kępice and Wałbrzych. In addition, housing investments encompassing around 27 thousand apartments were at the stage of preparation. Within the framework of the second instrument of the "Apartment Plus" programme (integrated programme of social and rental housing construction), in year 2018, in total, 114 applications were considered to be eligible for financing, for the total amount of PLN 173.9 million. The applications concern establishment of 2 143 apartments and 341 beds (the programme of financial support for social and municipal housing construction. Within the framework of the programme of social housing construction, in the reporting period, a positive assessment of creditability was received by 30 applicants, for the total financing amount of around PLN 211.6 million. These apply to financing of construction of 1622 apartments. At the same time, legislative works were conducted, based on recommendations or findings of the Housing Board, including adopting of the act of 5 July 2018 on



facilitations in preparation and implementation of housing investment projects and the associated investments (Journal of Laws item 1946), which is aimed at shortening of investment and construction procedures and releasing of the potential of land in cities, and the act of 20 July 2018 on state assistance in coverage of housing expenditures during the first years of rental of apartments (Journal of Laws item 1540), which introduced a system of housing benefits on 1 January 2019.

Recruitment of partners was cancelled, and implementation of the project “Modern tools for supporting activity of the disabled” within the framework of Action 2.6 High quality of policy for social and occupational inclusion of the disabled of the Operational Programme Knowledge Education Development 2014-2020 was withdrawn. The previous single project was replaced with two new projects, namely, “Active Disabled - tools to support independence of the disabled” and “Inclusion of the excluded– active instruments to support the disabled on the labour market” within the framework of Action 2.6 POWER 2014 - 2020 (information concerning the projects, referred to above, can be found in chapter 5.2 and 5.6).

### **Measures undertaken in response to the key socio-economic challenges specified in the Country Report. Poland 2018.**

#### **Main measures undertaken since April 2018**

In the field of supporting investment, on 30 June 2018, the [act on support for new investments \(Ministry of Entrepreneurship and Technology\)](#) came into force, introducing new mechanisms for granting assistance to entrepreneurs in initiating investments, encompassing the entire territory of Poland with mechanisms previously applicable only to the Special Economic Zones. At the same time, works were conducted to amend the [„Programme to support investment projects of high significance for Polish economy for years 2011-2023”](#) and adjust it to provisions of the act, referred to above. On the other hand, on 19 September, 2018, [the act on amendment of the act on public-private partnership and some other legal acts \(Ministry of Investment and Economic Development\)](#) came into force, aimed at increasing engagement of private capital in public investment projects. After the previous pre-consultations of the assumptions, in 2018, a draft of a new act was also prepared - [the Public procurement law act \(Ministry of Entrepreneurship and Technology/UZP\)](#), aimed at enhancing effectiveness of public procurement procedures; the draft will be processed further in year 2019.

In the area of the [business environment](#), the most important event was entry into force on 30 April 2018 of the [„ Constitution for Business” \(Ministry of Entrepreneurship and Technology\)](#) package, introducing a complex reform of economic law. Five acts were adopted in the package: The entrepreneurs law, the act on the spokesperson for the SMEs, the act on Central Registration and Information on Business, on the principles of participation of foreign entrepreneurs in business trade within the territory of the RP, and legal provisions introducing the Entrepreneurs law act and the remaining legal acts. On 25 November, 2018, [the act on successive management of business activity of a natural person \(Ministry of Entrepreneurship and Technology\)](#) came into force, and on 1 January 2019 - [the act introducing simplifications for entrepreneurs in taxation and economic law \(Ministry of Entrepreneurship and Technology\)](#). In 2018, public consultations and intradepartmental arrangements were conducted for the draft of the [–Tax Ordinance Act \(Ministry of Finance\)](#); the act will be processed further in year 2019.

Two programmes were successfully implemented in year 2018: The [Programme for Support of Cashless Trade](#) and [The programme for popularisation of cashless transactions in public administration entities \(Ministry of Finance/Ministry of Entrepreneurship and Technology\)](#). Since November of 2018, both programmes have been implemented by the Cashless Poland Foundation. In the case of the latter, the number of terminals for handling of cashless payments installed at state offices has exceeded 1800 (out of 1600 offices originally chosen to participate in the programme). Moreover, 2000 terminals were installed in traffic police cars. As a part of the former of the two programmes, dedicated to entrepreneurs, the number of one hundred thousand terminals was

reached in December of 2018. Using terminals installed within the framework of the Cashless Poland Programme, more than 30 million transactions were executed by the end of year 2018 for the total amount exceeding PLN 1.6 billion. Since September 2018, apart from SMEs, public administration entities can also join the Cashless Poland Programme. Thanks to this fact, the programme has encompassed state offices, health care institutions, educational, cultural, arts and sports institutions, as well as foundations and associations.

In year 2018, public consultations and interdepartmental arrangements were conducted for the draft act on amendment of the Code of Civil Procedure and some other acts aimed at [enhancing of efficiency of economic procedures \(Ministry of Justice\)](#); the project will be processed further in 2019. Within the framework of activity aimed at strengthening of out-of-court dispute settlement institutions, a contest was conducted, in which all 15 entities were selected to launch and run 15 provincial "Arbitration and Mediation Centres" (CAM). In 2019, the activity of CAM will receive additional financing within the framework of the KED OP. Starting from year 2020, the CAM will be maintained using its own funds. Moreover, on 1 January 2019, [the act on amendment of certain legal act entered into force, aimed at reduction of social insurance premiums of natural persons engaged in small-scale business activity. \(Ministry of Entrepreneurship and Technology\)](#)

On 11 July 2018, the 2nd stage of consultations for the [State Raw Materials Policy \(Ministry of the Environment\)](#) was concluded, consisting of a cycle of conferences in 11 cities of Poland. On 17 October, a conference was held in Warsaw to summarize the cycle of arrangements and presenting the effects of regional consultations. Adoption of the document by the Council of Ministers was shifted slightly and is planned for the 2nd quarter of year 2019. After approval of the document, executive programmes will be developed for individual pillars of the State Raw Materials Policy and their sub-tasks.

Within the framework of the [Clean Air Package \(Ministry of Entrepreneurship and Technology, Ministry of Energy, Ministry of the Environment\)](#), on 11 February 2019, an amendment of the act on supporting thermomodernization projects came into force, which is aimed at improvement of air quality, energy efficiency, as well as testing of the programme of thermomodernization of single-family buildings of fuel poor households. Another package component consists of amendment of the act on the system of monitoring and control of fuel quality, which came into force on 12 September 2018. At the stage of the Sejm works, an amendment to the act was introduced, allowing for sale for the purposes of the municipal and household sector of products in solid state, obtained in thermal processing of brown coal. The four regulations, provided for in the amendment, concerning: quality requirements for solid fuels, methods of testing of quality of solid fuels, modes of collection of samples of solid fuels and a template of certificate of quality of solid fuels came into force on 4 November 2018, that is, with a slight delay with regard to the schedule provided in NRP 2018/2019. In addition to activities described in the NRP 2018/2019, on request of the Minister of the Environment, the National Fund for Environmental Protection and Water Management prepared a new financial instrument - the Clean Air Priority Programme for enhancement of air quality. The programme is addressed to natural persons, being owners or co-owners of single family houses, for replacement of old generation heat sources using solid fuels for central heating or central heating and domestic hot water with heat distribution centres, solid fuel boilers, electrical heating systems, gas condensing boilers, heat pumps, as well as thermomodernization of houses. The programme will be implemented in years 2018-2029. The programme budget is PLN 103 billion. Moreover, on 1 January 2019, amendments came into force of the act on personal income tax and the act on flat-rate income tax on certain types of income earned by natural persons, introducing a tax relief, which allows for deduction from income (revenue) of expenditures incurred for effective thermomodernization of a single-family house, owned by the taxpayer.

The planned [change in the organisational model of primary health care \( Ministry of Health\)](#) will result in integration of care, organisational integration of benefits adapted to the needs of patients and integration of clinical paths, as well as improvement of patient satisfaction. POZ Plus consists of

standard benefits provided by primary health care personnel (doctors and nurses), but in a different scope, taking into account such services as prevention and education, additional services for patients suffering from chronic diseases, diagnostic tests and rehabilitation. Thanks to the new services, medical teams supported by IT systems will be able to control patient information flow more efficiently. Within the frameworks of the action, referred to above, the provincial branches of NFZ have **announced recruitment and selected the project participants** - that is, POZ units, which will participate in the pilot programme of coordinated care in primary health care "POZ PLUS". In the course of works on **development of the OOK Platform** for cooperation of the payer and the service providers, for the needs of pilot implementation of the model (NFZ), a contract has been signed with an IT expert; selection was made and a contract was signed with a provider of a web-based tool for gathering and analysing of data associated with ongoing implementation of the pilot project. A contract has also been signed with the provider of **thematic trainings** concerning exchange of knowledge and information between service providers in the area of coordinated care in the POZ, and specialist trainings concerning clinical paths have been commenced, developed using the ADONIS tool, at the same time familiarizing the course participants with the system operation. A cycle of nationwide blended-learning courses on implementation and recommendation of physiotherapy in POZ PLUS as well as classroom trainings for general practitioners and physiotherapists have been conducted. Within the framework of **preparation of the content to be published on the OOK Platform**, experts were recruited to prepare substantive materials for applications, films and publications, and the website of the 'POZ PLUS' project was expanded by adding 'Recommendations and guidelines for entities implementing the pilot programme (Service Provider and OW NFZ)', FAQs were categorized, as well as contact information of the leaders in OW NFZ. Moreover, at POZ clinics participating in the project, services are provided on an ongoing basis in accordance with the contracts signed with the NFZ.

Acceptance of University Development Programmes (PRU) took place at the medical universities in Białystok, Katowice, Kraków, Lublin, Łódź, Olsztyn, Poznań, Toruń, Warsaw. Within the framework of [University Development Programmes \(Ministry of Health\)](#), due to the changes in the structure of the Centre for Innovative Medical Education/CIEM and delays in construction, acceptance of the PRU of the university in Szczecin, which has been approved by the Minister of Health, will take place in the 1st quarter of year 2019. Delays were also recorded in development of the PRU at the university in Wrocław, which was completed in the 4th quarter of year 2018, and the PRU in Gdańsk will be completed until year 2020.

Moreover, **Medical Simulation Centres have been launched** in Gdańsk, Lublin, Łódź, Olsztyn, Poznań, Szczecin, Warsaw (temporarily), Wrocław, Toruń, Białystok, Katowice.

**Traineeships, courses, trainings for instructors, simulation technicians and the managerial staff of simulation centres and trainings, courses for teachers** planning to use medical simulation are conducted at all universities throughout the term of the project with the planned completion in years 2020-2022, depending on the university.

**Simulation classes at universities** participating in the project have been conducted in such cities as: Gdańsk, Kraków, Lublin, Łódź, Olsztyn, Warsaw, Poznań, Wrocław, Białystok, Toruń, Katowice, and in Szczecin, classes will start in the first quarter of 2019. Accordingly with the schedule, a **simulation textbook** has been prepared, specifying the rules of preparation and conducting of simulation classes.

**Development of a database of simulation scenarios** has taken place at some universities, and the remaining ones will develop these (within the framework of cooperation between universities) in years 2019-2021, depending on the institution.

In the period from the 2nd quarter until the 3rd quarter of year 2018, in total, 119 specialization courses have been organised for 2 936 participants. In the 4th quarter of year 2018, 141 courses were organised for 4026 participants within the framework of [Specialist training of doctors in fields](#)

that are of significance from the perspective of epidemiological-demographic needs (Ministry of Health ). In the first quarter of year 2019, 54 courses are to be conducted for 1620 participants. The courses organised between April and September of 2018 covered all fields of medicine i encompassed by the project. A lower number of courses than planned between the 2nd quarter of 2018 and 1st quarter of 2019 (340 courses have been planned according to NRP 2018/2019) is due to such reasons as cancellation of 11 courses due to insufficient number of participants or lack of offers from service providers in tender procedures (in 2018, 3 tender procedures were conducted for 296 courses, and no offer was received for 98 courses).

## 2. Involvement of socio-economic partners in works related to the European Semester and the course of consultations for the NRP project

### EU documents assessed by socio-economic partners

In the course of the European Semester, the socio-economic partners were informed of documents published by the EC. The Independent Trade Union (NSZZ) “Solidarność” and the National Alliance of Trade Unions (OPZZ) have delivered their remarks concerning the Communication of the EC [Annual Growth Survey 2019](#) (AGS).

The NSZZ believes that the key problems - not only in Poland, but in many EU member states - include the quality of employment, low salaries and low range of collective agreements. According to the trade union, in order to stimulate economic growth, it is necessary to reverse the trend of decreasing share of salaries in the GDP; increasing of income from labour will allow for reduction of inequalities and imbalances in economy, at the same time limiting the effects of a potential economic slowdown; for this purpose, it is necessary to promote collective agreements, which, if strengthened, could allow for more effective implementation of lifelong learning policies as well. With reference to Poland, the trade union calls for taking advantage of economic growth, which is very positive, to eliminate the effects of many years of disregard for salary levels of many groups of employees, in particular, in the state budget sector.

NSZZ has also pointed out that without an adequate salary level, it will be very difficult to build retirement savings as recommended by the AGS. The trade union also underlines that it cannot be assumed that social insurance systems should be based on private savings. In the era of automation and demographic changes, in the opinion of the union, it is necessary to search for new, general sources of financing of retirement systems, as basing them solely upon income from work would lead to further social stratification. In this context, the union also refers to the high percentage of the employed population in the EU (9.6%) threatened with poverty. The union has also underlined the need for treating the European Pillar of Social Rights as a priority in year 2019, demanding that the EU launches additional funds for achievement of its objectives, in particular, with regard to health care systems and long-term care.

The OPZZ has positively assessed the priorities indicated by the European Commission for the coming year. At the same time, the union points out that AGS 2019 does not present a coherent approach to challenges or arguments, as well as specific tasks for member states in the areas indicated. This is particularly true for social challenges, associated with poverty of the employed population, the pay gap, lack of stability of employment and the fact that the increase in the level of salaries is linked by the EC solely with increase in effectiveness (disregarding such factors as increase in the gross domestic product, changes in the inflation level, profits of enterprises or the role of social dialogue). In the opinion of OPZZ, AGS 2019 should also take into account the role of entrepreneurs as entities charged with specific tasks (e.g. in terms of limitation of the pay gap, employee skills or reconciliation of work and family activity).

The OPZZ has stated that in AGS 2019, the priorities should include fulfilment by the member states of their commitments based on the European Pillar of Social Rights (AGS 2019 should indicate that the member states are expected to present their activities in this regard along with measurable indicators in the National Reform Programmes). The OPZZ approves of indication in the AGS of social inclusion as one of the areas requiring focusing of efforts within the framework of domestic reforms, however, indicating that the key role in this regard is played by conditions of work and payment, particularly among those with the lowest salaries, and increasing of the share of salaries in the GDP. In this context, in the opinion of the OPZZ, increase in efficiency should not serve as the only factor for increase of employee salaries, and competitiveness should not be based mainly on labour costs. The OPZZ also points to the need to improve the work and pay conditions also in public institutions,

as their proper functioning is a prerequisite for proper implementation of reforms and economic growth. The OPZZ would also expect presentation in the National Reform Programmes of activities aimed at increasing the institutional capacity of the social partners and putting more emphasis on social dialogue in economy, including collective agreements.

The OPZZ has assessed positively the need for investments to strengthen the human capital, indicated in AGS 2019 (for the sake of future competitiveness) and to improve the living and working conditions. On the other hand, the union points out that activities undertaken with regard to long-term challenges, such as preventing climate change, should not take place at the expense of employee rights, and low emission economies should be just and inclusive. The union also demands a more just distribution of tax charges.

The NSZZ „Solidarność”, the OPZZ, as well as the Polish Federation of Engineering Associations (NOT) have submitted their opinions on the working document of the EC services „[Country Report - Poland 2019](#)”.

The NSZZ, in association with the increased administrative charges, noted by the EC, and indication of difficulties associated with acquiring and maintaining competent employees (example: the National Revenue Administration) - places this problem in a broader context, postulating increase in salary levels in the entire state budget sector. Many years of neglect of this area has led to shortages of human resources in many public institutions. The NSZZ also shares the view that coordination of adult life learning is still ineffective; in this context, the Union postulates stronger involvement of enterprises in training of employees. Improvement in this area and stabilisation of contracts of employment (towards more permanent forms of employment) will determine progress in counteracting shortage of employees. The organisation also agrees with negative assessment by the EC of effectiveness of state activity aimed at making it easier to find jobs. The Union has noted the positive fact of reduction of unregistered work. An important step in this direction should be a migration strategy, exerting impact on the Polish labour market through stable legislation, warranting the same standards of employment and protection of labour. In this context, the Union is referring once again to its earlier remarks concerning low level of coverage of employment with collective agreements in Poland. The Union agrees that the reasons for reduction of participation of young women in the labour market can be sought, as indicated in the report, in limited access to institutional care over small children and lack of support in taking care of dependent family members. On the other hand, it does not share the view that implementation in year 2016 of the family support programme has led to reduction in activity of women. Sharing the views of the EC with regard to complexity of the taxation system, the Union calls for withdrawal from unending amendments to the acts on taxation, which are approved without social consultations and complicate the system. It also reminds the readers of its postulates to increase progressiveness of the Polish taxation system, to conduct indexation of flat-rate tax deductible expenses of natural persons and indexation of taxation thresholds. At the same time, the Union, unlike the EC, is of opinion that reduced VAT rates - including for such products as fruit, meat, fish, milk and milk products, bread, drinks - constitute a significant component of support of the poorest people and families. The Union agrees with the EC that the area of social dialogue is encountering challenges, which has been documented by the “White Book”, published by the Union every year - a report on violations of the rules of social consultations with trade unions. The Union has noted the need for strengthening of trilateral social dialogue in Poland and postulates establishment of a Social Dialogue Council at an entity independent of the government.

The OPZZ, referring to assessment of implementation of the EU Council recommendations for Poland, finds that sometimes this assessment is overly optimistic. For instance, initiatives aimed at reduction of segmentation of the labour market have only slightly contributed to improvement of employment quality. Moreover, the Union reminds that it did not support some of the recommendations, as their implementation could exert negative social impact (e.g. limitation of use of reduced VAT rates). Sharing the opinion of the EC that the key challenge for Poland is shifting of its

economic model from one based on low labour costs to a model based on knowledge and capable of manufacturing advanced products and services, the Union indicates that the document lacks an assessment of the policy of shaping of salaries in the Polish economy. In the opinion of the OPZZ, achievement of a knowledge-based economy requires changes in the employee remuneration policy, including in the state budget sector. This is proven, among other things, by the need for education of the employed, indicated in the Report, as well as the low salaries of teachers. An adjustment of the mode of distribution of effects of economic growth, including greater social justice of the taxation system, should, in the opinion of the OPZZ, be the basic objective of the state policy. According to the OPZZ, this policy should be implemented by faster increase in minimum salaries, unfreezing of remunerations in the state budget sector, as well as development of a mechanism used to negotiate increase in salaries in the sector of enterprises, so that profits generated by business are distributed more justly. The OPZZ also believes that in business operations, the role of employee participation in management of companies should increase. In the face of challenges encountered by the domestic labour market, associated with negative demographic trends, the OPZZ is of opinion that Poland should adopt a migration policy, developed with participation of social partners. It should be balanced to serve the citizens, as well as migrants. The OPZZ underlines that economic growth should, apart from consumption, be based more on investments aimed at strategic goals of the state. In particular, widespread Internet access and faster and coherent digitalisation of public services should constitute an important segment of public investments. The OPZZ shares the opinion of the EC that uncertainty resulting from quality of the legislative process exerts negative impact on quality of the law established and the level of social dialogue, as well as investment decisions. In the context of the recommendation of the Council of year 2018 on enhancing of effectiveness of public spending, the OPZZ has issued a negative opinion on the state budget act for year 2019, as failing to contribute to just division of effects of economic growth in the country. Accepting with approval the fact that improvement of functioning of public procurement has been indicated in the report as one of the investment priorities, the OPZZ has also expressed concern that the new public procurement law act being processed is not sufficient in this regard. In the opinion of the OPZZ, action should be aimed at enhancing honest competition on the public procurement market and stronger emphasis on achievement of sustainable development objectives, and companies with the State Treasury shareholding should serve as models of the best practices and they should be under a statutory obligation of applying the new Public procurement law act. According to the OPZZ, the Report lacks an analysis of social challenges in the field of the energy policy of the state, including implementation of the rules of just transformation.

The NOT, agreeing with the opinion of the EC that innovativeness of the Polish economy is low, and the recent legal amendments solve only a few of the existing problems, points out first of all to the need for better recognition of impact of science on innovativeness of the Polish economy. The NOT suggests widening of the scope of research and reporting of the Central Statistical Office with regard to micro and small enterprises, in particular, micro companies managed by legal persons. In the opinion of the NOT, these are often significant engineering, pharmaceutical and other companies, for which innovativeness is a prerequisite, and the statistics of the Western countries are more effective in recognising and documenting of the role of micro firms in this regard.

#### **Opinions on the draft of the NRP 2019/2020 – key remarks of socio-economic partners, working in the Team for the Europe 2020 strategy**

The draft NRP 2019/2020 has been submitted for consultations to organisations, represented by members of the Team for the Europe 2020 strategy. Within the framework of the consultations, opinions were received from the Independent Trade Union (NSZZ) “Solidarność”, the National Alliance of Trade Unions (OPZZ), the Polish Chamber of Commerce (KIG), the Association of Provinces of the RP (ZWRP), the National Federation of Polish Non-Governmental Organisations (OFOP), the Polish Committee of the European Anti-Poverty Network (PC EAPN), the Lewiatan Confederation and the Polish Crafts Association (ZRP).

Opinions of the partners have been analysed in detail by the appropriate departments. The key themes have been discussed during a meeting of the Team for the Europe 2020 strategy on 8 April 2019.

In the opinions delivered, most partners express the need for paying greater attention to new social projects, referring in this context both to provisions of the European Pillar of Social Rights (EPSR) with a table of social indicators and to priorities in the social area from annex D to the Country Report.

In general, NSZZ "Solidarność" is of opinion that this year's update contains many uncertain undertakings, which may be evidence of their excessively extemporary nature. In its detailed remarks, the Union, while agreeing that the PPK Programme would exert positive impact on the capital market, did not share the view that it would encourage Poles to invest money, as investments are associated mainly with the salary level. At the same time, the Union underlines that the programme cannot be treated as a tool to ensure adequacy and stability of the retirement system - these could be attained exclusively through strengthening of the state retirement system. According to the Union, the "Apartment Plus" Programme fails to meet the expectations - many implementation problems have been encountered, mainly of financial nature, causing delays. The Union has noted that despite the repetitive character of recommendations given in the course of the European Semester, Poland has still not developed a complex, effective system, which would allow for matching skills better with the labour market needs. The Union has also repeated its postulates from the previous years, concerning development of permanent forms of employment and raising of salaries, in particular, in the state budget sector, and points to lack of a system for monitoring of work conditions and salaries for foreigners, while their number has been growing dynamically. While approving of the announced plan to increase the tax deductible costs for persons hired on the basis of contracts of employment, the Union underlines that reduction of tax rates should be accompanied by increasing of the tax free amount, which is necessary to reduce the scale of poverty among the employed. In the context of implementation of modern technologies, which are necessary to strengthen innovativeness of economy, the Union states that in order for this process to progress in accordance with the basic employee protection standards and with respect for the European acquis in the field of social protection, solid rules must be developed on the basis of social dialogue, which has been mentioned, among other, in the EPSR. As for counteracting poverty and social exclusion, in the opinion of the Union, the NRP lacks programmes for activation of the elderly. In the area of the retirement system, the Union points out that we have been dealing for years with the problem of non-adjustment of the indexation system for the lowest benefits to dynamics of increase in prices among the poorest social groups; moreover, this is another year, in which no activity has been undertaken in the field of reform of the farmer social insurance system - KRUS. While satisfied with the proposal of extending the "Family 500+" Programme to include the first children in the family, the Union points out that the child care benefits should, in the first place, reach families, which need this support - that is, those with low and average income. In the opinion of the Union, it is necessary to intensify activity within the framework of the Clean air programme, addressed directly to families (replacement of stoves, thermal insulation of buildings, counteracting energy poverty). The Union has expressed a clearly negative opinion on effectiveness of public and social consultations in the legislative process (similar opinions have been shared by the OPZZ and the Lewiatan Confederation).

In the opinion of the OPZZ, the NRP has failed to respond sufficiently to important long-term challenges specified in the Country Report - Poland 2019; therefore, the postulates specified in the opinion on the Report, discussed above, have been repeated. According to the OPZZ, an adequate response to a number of challenges defined in the Report should be investment in improvement of attractiveness of the domestic labour market through increase in the quality of employment, stability of work places and compliance with employee rights, as well as focus on increase in salaries. The OPZZ believes that lack of a reform of a taxation system in the NRP, despite the good economic and budgetary conditions, is incoherent with objectives of the Strategy for Responsible Development - such reform should include increased progression in PIT, a substantial increase in tax deductible



expenses of employees, an increase in the number of taxpayers taking advantage of a tax free limit of PLN 8 thousand, liquidation of the straight-line PIT tax for entrepreneurs at the level of 19%. The OPZZ has underlined that the planned dissemination of cashless trade should be subject to social consultations, due to such aspects as the right to choose the mode of payment by natural persons or limitation of ability to use this tool by certain social groups (e.g. the elderly or persons with disabilities). The OPZZ expects that the initiatives such as the so-called zero PIT for employees up to 26 years of age and reduction of the wedge in PIT should be subject to arrangements with social partners in the Social Dialogue Council.

The KIG takes note of lack of positive correlation between the number of acts passed and the quality of the law established. Lack of legislative security of entrepreneurs and unclear law ultimately result in a relatively low investment rate. Entrepreneurs associated in the KIG are also putting great emphasis on the fact that university graduates fail to meet the qualification and competence requirements determined by the real business needs. The KIG has also noted that the so-called IP Box solutions, aimed at increasing attractiveness of research and development activity in Poland, can be successfully used by entrepreneurs on a wider scale, if a nationwide system of information and support for entrepreneurs is launched.

The Lewiatan Confederation disagreed with statements contained in the draft, concerning improvement of the investment climate in Poland, in particular, with regard to private investments, and has sustained its earlier opinion that frequent regulatory changes (including in the justice system) lead to a substantial deterioration of the investment and business development conditions. Assessment of the mode, in which the activities described translate to achievement of targets of the Europe 2020 strategy, has been viewed as unsatisfactory. Referring to the targets of the RES, it was noted that we have already been closer than now in the process of achieving the target established for year 2020. According to Lewiatan, because of incomprehensible RES policy, achievement of the target for year 2020 is no longer possible.

The ZRP does not share the optimistic view of the economic condition of Poland, expressed by both the EC in the Country Report and by the Government of the RP in the draft of the NRP, pointing out that the main factor for GDP growth is still individual consumption, which is not favourable from the perspective of a long-term development strategy. Therefore, assessing positively signalling in the project the possibilities of deterioration of the economic perspectives of the EU and main business partners of Poland, the ZRP does not support activities focused mainly on increase in private consumption (the planned development of the 500+ programme, additional support for old age and disability pensioners, a tax relief for persons aged 26 or less) as contributing to maintenance of economic growth. In the opinion of employers, activities to support increase in investments would be desirable. According to the ZRP, the government policy for entrepreneurship should take into account those components of the economic policy, which will allow for strengthening of potential of the existing companies, in particular, micro and small enterprises. Meanwhile, facilitations and reliefs, including reduction of social insurance and taxation costs, have been addressed lately to persons intending to commence business activity on a small scale, farmers producing food and small firms of legal persons. In the opinion of the ZRP, also the recently introduced preferences in insurance premiums for the so-called self-employed distort the conditions of competition within the framework of very similar groups of small companies. While appreciating the importance of European structural and investment funds in the context of economic growth that contributes to social inclusion and convergence, the ZRP does not share the view of the EC that in the new financial perspective of the EU support for firms should be focused almost exclusively on reimbursable instruments, as this may significantly limit use of these by micro- and small companies, which are the ones needing such support the most. With reference to the new public procurement law being prepared, the ZRP opts for maintaining, at least at the present level of EUR 30 thousand, the level of procurement thresholds, above which the public procurement law provisions apply. Every reduction in the procurement thresholds will result in reduction of the real volume of orders for the SMEs for

construction works. In addition, legal solutions should be introduced, aimed at counteracting actively further deterioration of the construction industry conditions. While agreeing with theses on low level of professional activity of certain social groups, in particular, women and the elderly, the ZRP notices that in some regions of Poland, social support reduces the effectiveness of the labour market policy instruments being implemented to encourage people to get jobs. The ZRP has also expressed a critical opinion of lack of reference in the NRP to vocational training, which opens the way to professional training also at a higher level, underlining that at present, university education offers no warranty of a high paying job. The dramatic drop in the number of minor employees participating in vocational training in form of apprenticeship has been disregarded. The ZRP considers it to be necessary to launch activity - like in other member states of the EU - associated with promotion of vocational schools of the 1st degree and apprenticeship of minor employees.

The OFOP referred in the first place to the planned activities in the field of development of the social economy sector, presented in the NRP. In particular, the organisation proposed that instead of adopting the draft act on social and solidarity-based economy, a statutory regulation of functioning of social economy entities would be introduced, and the time for legislative works would be extended accordingly in the schedule. At the same time, it pointed out that the entities concerned have not reached an unambiguous stance with regard to whether the act on social and solidarity-based economy should be adopted as provided, as well as with regard to the definition of a social enterprise. Therefore, it is necessary to conduct works, appropriately spread over time and conducted openly on a draft of the act regulating the functioning of the social economy subjects. The OFOP has also related to the activities conducted so far with regard to fulfilment of recommendation 3 of the EU Council in the part concerning effective public and social consultations in the legislative process, considering these to be insufficient. In the opinion of the OFOP, the rules of consultations should be strengthened and regulated by the act, and not only by the Work Regulations of the Council of Ministers. In the opinion of the OFOP, the activities undertaken are focused almost exclusively on public consultations, thus neglecting the problem of improper implementation of social consulting (issue of opinions) with partners other than representatives of the public administration, including NGOs.

In its remarks, the PC EAPN postulated in the first place to underline in the NRP limitation of the risk of poverty and social exclusion as a component of civilizational success of Poland in the recent years, as well as one of the objectives of the new strategy, which is to follow the Europe 2020 strategy and the system for economic management of the EU. The Committee also opted for underlining in the NRP that while recognizing fully the EPSR, Poland is going to use it as a base for programming of use of the EU funds in the new financial perspective. In particular, it demanded inclusion in the NRP of the task of preparation of the "National strategic framework for social inclusion and fight against poverty" as a component of the thematic conditionality for the ESF+. In association with disclosure of extreme poverty among children in research on household budgets despite the functioning of the "500 plus" programme, the PC EAPN postulates evaluation and revision of the methodology for calculation of statistical indicators of poverty and shortages, used in Poland so far. This is accompanied by a suggestion that the impact of every proposal in terms of cash benefits (such as "500 Plus" and "Retirement Plus" programmes) on various types of poverty and shortages, as well as income inequalities should be examined using micro-simulation models, and the results of this research should be included in the NRP.

The ZWRP has delivered opinions from five provincial marshal offices. Their authors pointed to such topics as the need to include (apart from the government and the local government units) the regional government in the integrated system for support of strategic sectors, which are to act as a driving force for the Polish economy in the future. The theses on improvement of the investment climate in Poland have also been questioned. Concerns were expressed that (probably due to increase in the level of family benefits), the number of persons looking for jobs and registering themselves as the unemployed has decreased on behalf of those, who intentionally resign from

working. It was stated that a fuller description of regional differences is needed. It was also proposed to disclose in the NRP that it is necessary to verify the cluster policy in Poland due to the fact that the policy based on the Key Domestic Clusters has not led to an increase in the number of significant clusters in Poland or to improvement of quality of the existing ones.

Summing up, the opinions of partners focused on the overall assessment of public policies, such as employment innovativeness, and on forming postulates, to a lesser extent related to specific provisions and activities described in the NRP. These opinions are of great importance for the government from the perspective of adequacy of the socio-economic policy over the long-term and medium perspective, without exerting substantial influence on the provisions contained in the document under concern.